

BRUCE TOWNSHIP, CHIPPEWA COUNTY

STATE OF MICHIGAN

AUDITED FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION

March 31, 2007

### 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 checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Bruce Township	County Chippewa
Fiscal Year End March 31, 2007	Opinion Date September 4, 2007	Date Audit Report Submitted to State October 9, 2007	

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.)
- 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.
  - 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.
  - The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - The local unit has adopted a budget for all required funds.
  - A public hearing on the budget was held in accordance with State statute.
  - 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.
  - The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - The local unit only holds deposits/investments that comply with statutory requirements.
  - 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).
  - 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.
  - The local unit is free of repeated comments from previous years.
  - The audit opinion is UNQUALIFIED.
  - The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - The board or council approves all invoices prior to payment as required by charter or statute.
  - 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.

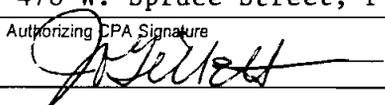
We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	<input checked="" type="checkbox"/>	
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	
Other (Describe)	<input type="checkbox"/>	
Certified Public Accountant (Firm Name) Gillett, Halvorsen & Leonhardt, P.C.		Telephone Number (906) 635-1589
Street Address 478 W. Spruce Street, P.O. Box 437		City Sault Ste. Marie
		State MI
		Zip 49783
Authorizing CPA Signature 	Printed Name James A. Gillett	License Number 014856

TABLE OF CONTENTS

	PAGE
AUDITED FINANCIAL STATEMENTS:	
INDEPENDENT AUDITORS' REPORT . . . . .	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS. . . . .	3-7
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Assets. . . . .	8
Statement of Activities. . . . .	9
Fund Financial Statements:	
Balance Sheet - Governmental Funds . . . . .	10-11
Reconciliation of Governmental Funds:	
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets . . . . .	12
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds . . . . .	13-14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities. . . . .	15
Fiduciary Fund:	
Statement of Net Assets. . . . .	16
Notes to Financial Statements. . . . .	17-29
REQUIRED SUPPLEMENTAL INFORMATION:	
Major Fund:	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund . . . . .	30-31
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Road Fund I. . . . .	32
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Road Fund II . . . . .	33
Non-Major Funds:	
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Other Governmental Funds. . . . .	34-35
AUDITORS' COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS. . . . .	36-39



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MEMBER OF THE MICHIGAN  
ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS  
MEMBER OF THE AMERICAN  
INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Township Board  
Bruce Township  
Dafter MI 49724

We have audited the accompanying financial statements of the governmental activities, each major fund and aggregate remaining fund information of Bruce 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 basic financial statements are the responsibility of Bruce Township's management. Our responsibility is to express an opinion 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, each Major Fund and aggregate remaining fund information of Bruce Township as of March 31, 2007, and the respective changes in financial position 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 on pages 3-7 and the budgetary comparisons on pages 32-37 are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 Bruce Township's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Gillett Halvorsen & Leonhardt PC*

Gillett, Halvorsen & Leonhardt, PC  
Certified Public Accountants

September 4, 2007  
Sault Ste. Marie, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

BRUCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2007

=====  
Within this section of the Bruce Township annual financial report, the Township's management provides a narrative discussion and analysis of the financial activities of the Township for the fiscal year ended March 31, 2007. Bruce Township's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Township's primary government, unless otherwise noted.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The Township also includes in this report additional information to supplement the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Township's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information on the Township's overall status. Financial reporting on this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the township-wide statement of financial position presenting information that includes all of the Township's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township as a whole is improving or deteriorating. Evaluation of the overall economic health of the Township would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of Township infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the Statement of Activities which reports how the Township's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of this statement of activities is to show financial reliance of the Township's distinct activities or functions on revenues provided to the Township.

BRUCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

March 31, 2007

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FUND FINANCIAL STATEMENTS

Governmental funds are reported in the financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Township's governmental funds. The statements report short-term fiscal accountability focusing on the use of spendable resources available at the end of the year. These are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between the two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balance provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statements are included in the basic financial statements for the general fund. These statements and schedules demonstrate compliance with the Township's adopted and final revised budget.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which follows the notes to the financial statements.

TOWNSHIP AS A WHOLE

The Township's assets exceed its liabilities by \$885,632 for the fiscal year reported.

Total net assets are comprised of the following:

- (1) Capital assets of \$454,744 include land, property and equipment net of accumulated depreciation and related debt.

BRUCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

March 31, 2007

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TOWNSHIP AS A WHOLE (CONTINUED)

- (2) Net assets of \$-0- are restricted by constraints imposed from outside the Township such as grantors, laws or regulations.
- (3) Unrestricted net assets of \$430,858 represent the portion available to maintain the Township's continuing obligations.

The Township's governmental funds reported total ending fund balance of \$544,917 this year. This compares to the prior year ending fund balance of \$460,152 showing an increase of \$84,765 during the current year. This represents an increase of approximately 18%.

A comparative analysis was not performed as the Township has a population of less than 2,000 people and is required to be audited every other year.

In a condensed format, the table below shows the net assets of the Township at March 31, 2007.

	Governmental Activities
	-----
Current assets	\$ 574,754
Restricted assets	-0-
Non-current assets	454,774
	-----
Total Assets	\$1,029,528
	-----
Current liabilities	\$ 52,941
Long-term debt outstanding	90,955
	-----
Total Liabilities	\$ 143,896
	-----
Net Assets	
Invested in capital assets - net of related debt	\$ 454,774
Restricted	-0-
Unrestricted	430,858
	-----
Total Net Assets	\$ 885,632
	=====

The Township reported a positive balance of \$885,632 in governmental activities with net assets increased by \$70,714, which represents an increase of approximately 9%.

BRUCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

March 31, 2007

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THE TOWNSHIP AS A WHOLE (CONTINUED)

The following table shows the activities of Bruce Township for the year ended March 31, 2007.

	Governmental Activities -----
Program Revenues	
Charges for services	\$ 12,510
Operating grants	173,118
Capital grants	-0-
General Revenues	
Taxes	204,429
Payments in lieu of taxes	4,682
Interest and rents	11,578
Other	1,837
	-----
Total Revenues	\$408,154
Program Expenses	
General government	\$152,380
Public safety	115,931
Public works	63,385
Cultural and recreation	721
Interest on long-term debt	5,023
	-----
Total Expenses	\$337,440
	-----
Change in Net Assets	\$ 70,714
	=====

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUND

As discussed, governmental funds are reported in the fund statements with a short-term inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported an ending fund balance of \$544,917 which is unrestricted indicating availability for continuing Township activities.

The general fund pays for all the Township's governmental services. These services were largely supported by property taxes and state shared revenues.

BRUCE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

March 31, 2007

=====

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Township Board amended the budget to take into account events during the year. The most significant changes were increases to expenditures for public safety. The Township's actual expenditures did not exceed the budgeted expenditures for the year ended March 31, 2007.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of March 31, 2007, the Township had \$454,774 invested in a broad range of capital assets net of accumulated depreciation, including buildings and fire and ambulance equipment. In addition, the Township has invested significantly in roads within the Township. The roads are not reported in the Township's financial statements because Michigan law makes these roads the property of the Chippewa County Road Commission (along with the responsibility to maintain them). Also as of March 31, 2007 the Township had long-term debt of \$111,450 related to the purchase of the aforementioned capital assets.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Because of the impact of Proposal A, the Township needs to continue to watch its budget very closely. The state-wide tax reform act limits growth in taxable value on any individual property to the lesser of 5% or inflation. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the Township will grow less than by inflation, before considering new property additions. Also, reductions in State Revenue sharing continues to impact the township.

CONTACTING THE TOWNSHIP'S MANAGEMENT

The financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Supervisor's office at: 12 Mile Road, Dafter, MI 49724 or (906) 635-3058.

BASIC FINANCIAL STATEMENTS

BRUCE TOWNSHIP  
STATEMENT OF NET ASSETS

March 31, 2007

		GOVERNMENTAL ACTIVITIES
=====		
ASSETS		
Current Assets		
Cash and equivalents	\$	509,159
Due from other funds		13,294
Due from other governmental units		32,076
Taxes receivable		20,225
		-----
Total Current Assets	\$	574,754
Non-current Assets		
Buildings and equipment - net of depreciation		454,774
		-----
TOTAL ASSETS		\$1,029,528
		=====
LIABILITIES		
Current Liabilities		
Accounts payable	\$	9,612
Accrued interest payable		2,609
Deferred revenue - taxes receivable		20,225
Current portion of long-term debt		20,495
Long-Term Liabilities		
Note payable to bank - net of current portion		90,955
		-----
TOTAL LIABILITIES	\$	143,896
NET ASSETS		
Invested in capital assets - net of related debt	\$	454,774
Unrestricted		430,858
		-----
TOTAL NET ASSETS	\$	885,632
		=====

See accompanying notes to financial statements.

BRUCE TOWNSHIP

STATEMENT OF ACTIVITIES

For the year ended March 31, 2007

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSES) REVENUES
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS	CAPITAL GRANTS	
GOVERNMENTAL ACTIVITIES					
General government	\$152,380	\$ 7,469	\$132,492	\$ -0-	\$ (12,419)
Public safety	115,931	3,056	35,757	-0-	(77,118)
Public works	63,385	1,985	4,869	-0-	(56,531)
Cultural and recreation	721	-0-	-0-	-0-	(721)
Interest on long-term debt	5,023	-0-	-0-	-0-	(5,023)
TOTAL GOVERNMENTAL ACTIVITIES	\$337,440	\$12,510	\$173,118	\$ -0-	\$ (151,812)
CHANGE IN NET ASSETS					
Net (Expense) Revenue					\$ (151,812)
GENERAL REVENUES					
Taxes					204,429
Payments in lieu of taxes					4,682
Interest income					11,578
Other					1,837
TOTAL GENERAL REVENUES					\$ 222,526
CHANGE IN NET ASSETS					\$ 70,714
NET ASSETS - APRIL 1, 2006					814,918
NET ASSETS - MARCH 31, 2007					\$ 885,632

See accompanying notes to financial statements.

BRUCE TOWNSHIP

BALANCE SHEET - GOVERNMENTAL FUNDS

March 31, 2007

	GENERAL FUND	ROAD FUND I	ROAD FUND II
<b>ASSETS</b>			
Cash and equivalents	\$130,477	\$157,760	\$159,530
Due from other funds	13,173	-0-	121
Due from other governmental units	32,076	-0-	-0-
Taxes receivable	8,087	-0-	12,138
	-----	-----	-----
TOTAL ASSETS	\$183,813	\$157,760	\$171,789
	=====	=====	=====
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 1,441	\$ 6,500	\$ -0-
Deferred revenue - taxes receivable	8,087	-0-	12,138
	-----	-----	-----
TOTAL LIABILITIES	\$ 9,528	\$ 6,500	\$ 12,138
<b>FUND BALANCES</b>			
	174,285	151,260	159,651
	-----	-----	-----
TOTAL LIABILITIES AND FUND BALANCES	\$183,813	\$157,760	\$171,789
	=====	=====	=====

See accompanying notes to financial statements.

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OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
--------------------------------	--------------------------------

=====

\$ 61,392	\$509,159
-0-	13,294
-0-	32,076
-0-	20,225
-----	-----
\$ 61,392	\$574,754
=====	=====

\$ 1,671	\$ 9,612
-0-	20,225
-----	-----
\$ 1,671	\$ 29,837
59,721	544,917
-----	-----
\$ 61,392	\$574,754
=====	=====

BRUCE TOWNSHIP

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

March 31, 2007

=====

Total Fund Balances - Governmental Funds	\$ 544,917
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.	454,774
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly not reported in the funds.	(111,450)
Accrued interest is not due and payable in the current period and is not reported in the funds.	(2,609)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 885,632
	=====

See accompanying notes to financial statements.

BRUCE TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS

For the year ended March 31, 2007

	GENERAL FUND	ROAD FUND I	ROAD FUND II
REVENUES			
Taxes	\$ 79,808	\$ -0-	\$124,621
State grants	132,492	-0-	4,869
Contributions from local units	-0-	-0-	-0-
Payments in lieu of taxes	4,682	-0-	-0-
Charges for services	7,469	-0-	1,985
Interest and rents	5,791	3,581	1,104
Other	60	26	-0-
TOTAL REVENUES	\$230,302	\$ 3,607	\$132,579
EXPENDITURES			
General government	\$137,242	\$ -0-	\$ -0-
Public safety	784	-0-	-0-
Public works	-0-	6,500	56,885
Cultural and recreation	721	-0-	-0-
Capital outlay	20,069	-0-	-0-
Other	-0-	-0-	-0-
TOTAL EXPENDITURES	\$158,816	\$ 6,500	\$ 56,885
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 71,486	\$ (2,893)	\$ 75,694
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -0-	\$ -0-	\$ -0-
Transfers out	(74,000)	-0-	-0-
Payments on long-term debt	-0-	-0-	-0-
TOTAL OTHER FINANCING SOURCES (USES)	\$(74,000)	\$ -0-	\$ -0-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (2,514)	\$ (2,893)	\$ 75,694
FUND BALANCES - APRIL 1, 2006	176,799	154,153	83,956
FUND BALANCES - MARCH 31, 2007	\$174,285	\$151,260	\$159,650

See accompanying notes to financial statements.

OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
--------------------------------	--------------------------------

\$ -0-	\$ 204,429
3,494	140,855
32,263	32,263
-0-	4,682
3,056	12,510
1,102	11,578
1,751	1,837
-----	-----
\$ 41,666	\$ 408,154

\$ -0-	\$ 137,242
66,722	67,506
-0-	63,385
-0-	721
9,290	29,359
-0-	-0-
-----	-----
\$ 76,012	\$ 298,213

\$ (34,346)	\$ 109,941
-------------	------------

\$ 74,000	\$ 74,000
-0-	(74,000)
(25,176)	(25,176)
-----	-----
\$ 48,824	\$ (25,176)

\$ 14,478	\$ 84,765
-----------	-----------

45,244	460,152
-----	-----
\$ 59,722	\$ 544,917
=====	=====

BRUCE TOWNSHIP

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

For the year ended March 31, 2007

=====

Net change in Fund Balance - Governmental Funds	\$ 84,765
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital outlay	29,359
Depreciation expense	(63,565)
Repayments of long-term debt principal is an expenditure in the government funds, but not in the statement of activities.	19,669
Interest is accrued on outstanding debt in the government- wide financial statements, whereas in the governmental fund financial statements, an interest expenditure is reported when due.	486
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	----- \$ 70,714 =====

See accompanying notes to the financial statements.

BRUCE TOWNSHIP  
 FIDUCIARY FUND  
 STATEMENT OF NET ASSETS

March 31, 2007

	=====
	AGENCY FUND TYPE
	-----
	TAX
	COLLECTION
	FUND
	=====
ASSETS	
Cash and equivalents	\$114,417
	-----
TOTAL ASSETS	\$114,417
	=====
LIABILITIES	
Due to other fund - General	\$ 13,173
Due to other fund - Road II	121
Due to other governmental unit - County	9,557
Due to other governmental unit - Schools	91,327
Due to individuals	239
	-----
TOTAL LIABILITIES	\$114,417
	=====

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

BRUCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A - REPORTING ENTITY

Financial Reporting Entity

Bruce Township is a regular law Michigan township located in the eastern portion of Michigan's Upper Peninsula.

The Township operates under an elected five member board and provides services to its residents in many areas including fire and ambulance protection, community enrichment and development, public works, parks and recreation, and general administrative services.

The Township, for financial purposes, includes all funds relevant to the operations of Bruce Township. The financial statements herein do not include agencies which have been formed under applicable State laws or separate and distinct units of government apart from Bruce Township.

B - 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. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. Bruce Township has no business-type activities or separate component units.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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 or

BRUCE TOWNSHIP

NOTE TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2007

=====

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B - GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead 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. Bruce Township has the general fund and special revenue funds for roads, fire and ambulance, fire equipment, zoning and liquor law enforcement.

C - 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, 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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.

Taxes Receivable - Current Property Taxes

The Bruce Township property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in Bruce Township as of the preceding December 31st.

BRUCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2007

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C - MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT  
PRESENTATION (CONTINUED)

Although Bruce Township 2006 ad valorem tax is levied and collectible on December 1, 2006, it is Bruce Township's policy to recognize revenue from the current tax levy in the subsequent year or the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2006 taxable valuation of Bruce Township totaled \$53,794,644, on which ad valorem taxes levied consisted of 1.5464 mills for Township operating purposes and 2.5000 mills for road maintenance/improvements.

The Township reports the following major governmental funds:

General Fund

This 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.

Road Fund I

This fund accounts for the revenues used to construct roads within the Township for those projects as required by federal or state grants.

Road Fund II

This fund accounts for the millage revenue that maintain and improve roads within the Township.

Additionally, the Township reports the following fund type:

Agency Funds

Agency Funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

BRUCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2007

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C - MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT  
PRESENTATION (CONTINUED)

All other revenue items are considered to be available only when cash is received by the government.

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.

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 government's tax collection function and various other functions of the government. Elimination 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.

D - ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of twelve months or less when acquired. Deposits are recorded at cost.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

All trade and property tax receivables are shown as net of allowances for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

BRUCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2007

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D - ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)

Inventories and Prepaid Items - All inventories, including the cost of supplies, are expensed when purchased. Payments made to vendors for services that will benefit periods beyond March 31, 2007, are recorded as prepaid items.

Capital Assets - Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$200 and an estimated useful life in excess of two years. 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.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Long-Term Debt - In the government-wide financial statements, outstanding debt is reported as liabilities. The government fund financial statements recognize proceeds of debt as other financing sources of the current period.

Grants and Other Intergovernmental Revenue - Federal grants and assistance awards for all governmental type funds are recorded as intergovernmental revenue in accordance with the terms of the respective grants.

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 reporting period. Actual results could differ from those estimates.

BRUCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2007

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NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

Budgets and Budgetary Control - The Township follows these procedures in establishing the budgetary data reflected in the financial statements.

- a. Each March, the Township Board prepares a proposed operating budget for the fiscal period commencing April 1 and lapses on March 31. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to April 1, the budget is legally enacted through a resolution passed by the Township Board.
- d. Budgetary control is exercised at the Township Board level for the General Fund. Any revisions that alter the total expenditures of any fund (i.e., budget amendments) require approval by the Township Board. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The Township does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

Budgeted amounts are as originally adopted or amended by the Township Board during the year. Individual amendments were not material in relation to the original appropriations which were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General fund budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General and the major funds were modified throughout the year through various budget amendments.

BRUCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2007

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NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

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 Township Board level.

NOTE 3 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in 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 obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated 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 as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated three banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized the aforementioned deposits and investments as listed above.

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

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

	Governmental Activities	Fiduciary Funds
	-----	-----
Cash and Cash Equivalents -		
Restricted	\$ -0-	\$ -0-
Unrestricted	509,159	114,417
	-----	-----
Totals	\$509,159	\$114,417
	=====	=====

BRUCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

The breakdown between deposits and investments is as follows:

	Primary Government -----	Fiduciary Funds -----
Bank deposits - checking	\$ 39,423	\$114,417
Bank deposits - savings	469,536	-0-
Petty Cash	200	-0-
	-----	-----
Totals	\$509,159	\$114,417
	=====	=====

Statutory Authority:

At year end, the carrying amount of the Township's primary and fiduciary deposits was \$623,576 and the bank balance was \$624,475. Of the bank balance, \$345,015, was covered by federal depository insurance according to FDIC regulations. Also, during the year the Township had funds in excess of \$100,000 on deposit in a particular financial institution which would not have been covered by federal depository insurance.

These deposits are in various financial institutions in varying amounts. All accounts are in the name of the Township. They are recorded in Township records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the primary government for the current year was as follows:

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Governmental Activities:				
Capital assets being depreciated:				
Buildings and improvements	\$347,103	\$ 16,955	\$ -0-	\$364,058
Machinery and equipment	423,894	12,404	-0-	436,298
	-----	-----	-----	-----
Subtotal	\$770,997	\$ 29,359	\$ -0-	\$800,356
	-----	-----	-----	-----

BRUCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2007

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Less accumulated depreciation for:				
Buildings and improvements	\$130,994	\$ 9,617	\$ -0-	\$140,611
Machinery and equipment	171,333	53,948	-0-	225,281
	-----	-----	-----	-----
Subtotal	\$302,327	\$ 63,565	\$ -0-	\$365,892
	-----	-----	-----	-----
Net Capital Assets Being Depreciated	\$468,670	\$ (34,206)	\$ -0-	\$434,464
Land	20,310	-0-	-0-	20,310
	-----	-----	-----	-----
Governmental Activity				
Capital Assets-Net of Depreciation	\$488,980	\$ (34,206)	\$ -0-	\$454,774
	=====	=====	=====	=====

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

Governmental Activities:	
General Government	\$ 15,138
Public Safety	48,427
	-----
Total Governmental Activities	\$ 63,565
	=====

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund receivable and payable balances at March 31, 2007 is as follows:

Interfund Receivable		Interfund Payable	
-----		-----	
General Fund	\$13,173	Fiduciary Fund	
Road Fund II	121	Tax Collection	\$13,294
	-----		=====
Total	\$13,294		
	=====		

BRUCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2007

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

Interfund transfers for the year ended March 31, 2007 were as follows:

TRANSFER OUT	TRANSFER IN		
-----	-----		
General Fund	Special Revenue Fund		
-----	-----		
General Fund	Zoning Fund	Fire and Ambulance Fund	Fire Equipment Fund
\$74,000	\$3,000	\$45,000	\$26,000
=====	=====	=====	=====

NOTE 6 - 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. Township contractual agreements and installment purchase agreements are also general obligations of the Township.

Long-term debt obligation activity can be summarized as follows:

Governmental Activities	Interest Rate	Principal Maturity	Beginning Balance	Additions (Deductions)	Ending Balance	Due Within One Year
-----	-----	-----	-----	-----	-----	-----
Installment loan payable to Central Savings Bank						
Fire Truck Purchase	4.20%	9/7/2001	\$131,119	\$(19,669)	\$111,450	\$20,495

Annual debt service requirements to maturity are as follows:

Fiscal year ended March 31	Governmental Activities		
	Principal	Interest	Total
-----	-----	-----	-----
2008	\$ 20,495	\$ 4,681	\$ 25,176
2009	21,352	3,824	25,176
2010	22,255	2,921	25,176
2011	23,187	1,989	25,176
2012	24,161	1,015	25,176
TOTALS	\$111,450	\$14,430	\$125,880
	=====	=====	=====

BRUCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2007

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NOTE 6 - LONG-TERM DEBT (CONTINUED)

Accrued interest of \$2,609 has been reported as current liabilities on the statement of net assets.

NOTE 7 - LEGAL COMPLIANCE

Excess of Expenditures over Appropriations in Budgeted Funds

The Uniform Budgeting and Accounting Act P.A. 2 of 1968 as amended (MCL 141.421 et seq.), provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. Bruce Township's actual expenditures and budgeted expenditures have been shown on an activity basis. The approved budgets for Bruce Township for the budgeted funds were adopted to the activity level.

During the year, Bruce Township incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated as follows:

<u>Fund</u>	<u>Appropriated</u>	<u>Expended</u>	<u>Variance</u>
General Fund			
Public Safety			
Land Division	\$ 450	\$ 467	\$ 17

NOTE 8 - DISTRIBUTION OF TAX COLLECTION

The Township must remit to the schools and the County total taxes collected through the 1st and 15th day of each month within 10 business days after the 1st and 15th day of each month. In addition, the Township is required to remit within ten business days, at least 90% of the total property tax collections on hand as of February 28 for tax revenues that were collected for other taxing units. During the year ended March 31, 2007, the Township did not remit taxes to the schools and the county within the required time periods.

NOTE 9 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as workmens compensation benefits provided to employees.

The Township participates in the Michigan Township Participating plan for general liability, property loss, automobile, professional, public official errors and omissions liabilities. This plan is a self insurance risk association operating within the State of Michigan pursuant to Act 138, Michigan Public Acts of 1982. This plan through its risk manager, secures

BRUCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2007

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NOTE 9 - RISK MANAGEMENT (CONTINUED)

insurance policies or reinsurance treaties to cover the risks undertaken on behalf of the Township above the \$100 deductible amount. The Township pays an annual premium of \$15,891 for this plan. The plan has a maximum liability for general liability of \$3,000,000, wrongful acts of \$2,000,000 and automobile liability of \$1,000,000.

Therefore, the Township has no additional liabilities beyond the contribution made to the Michigan Township Participating Plan for general liability, property loss, automobile, professional, public official error and omissions liabilities as it is covered by insurance policies or reinsurance treaties obtained by the plan.

In addition, the Township has purchased commercial insurance for workmens compensation benefits.

Settled claims for the insurance have not exceeded the amount of coverage in the past three years. There was no reduction in coverage obtained through insurance during the past year.

NOTE 10 - CONTINGENT LIABILITIES

The Township has received financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Township. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Township at March 31, 2007.

NOTE 11 - POSTEMPLOYMENT

Bruce Township does not provide any postemployment benefits and, therefore, no accrual has been recorded for these benefits as of March 31, 2007.

NOTE 12 - COMPENSATED ABSENCES

The Township does not have a vacation or a sick leave benefit policy and, therefore, no accrual has been recorded for these benefits as of March 31, 2007.

BRUCE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2007

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NOTE 13 - BUDGET AMENDMENT

Once approved, the Township may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Authorized budget amendments were approved as follows:

FUND	AMOUNT
-----	-----
General Fund	
General Government	
Clerk	\$ 419
Elections	20
Township Hall	1,609
Other Expenditures	
Other	(2,048)
Special Revenue Funds	
Fire and Ambulance Fund	
Public safety	6,000

REQUIRED SUPPLEMENTAL INFORMATION

BRUCE TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the year ended March 31, 2007

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE (OVER) UNDER
<b>REVENUES</b>				
Taxes	\$ 87,150	\$ 87,150	\$ 79,808	\$ 7,342
State grants	135,000	135,000	132,492	2,508
Payments in lieu of taxes	4,600	4,600	4,682	(82)
Charges for services	1,900	1,900	7,469	(5,569)
Fines and forfeits	100	100	-0-	100
Interest and rents	4,000	4,000	5,791	(1,791)
Other	1,500	1,500	60	1,440
	-----	-----	-----	-----
TOTAL REVENUES	\$ 234,250	\$ 234,250	\$230,302	\$ 3,948
<b>EXPENDITURES</b>				
General Government				
Township board	\$ 7,150	\$ 7,150	\$ 4,015	\$ 3,135
Supervisor	16,800	16,800	15,704	1,096
Treasurer	27,750	27,750	23,882	3,868
Assessor	21,665	21,665	19,788	1,877
Clerk	22,520	22,939	18,890	4,049
Elections	2,000	2,020	2,019	1
Township Hall	51,000	52,609	51,943	666
Board of Review	1,100	1,100	1,001	99
	-----	-----	-----	-----
Total General Government	\$ 149,985	\$ 152,033	\$137,242	\$ 14,791
Public Safety				
Land division	\$ 450	\$ 450	\$ 467	\$ (17)
Ordinance enforcement	2,020	2,020	317	1,703
	-----	-----	-----	-----
Total Public Safety	\$ 2,470	\$ 2,470	\$ 784	\$ 1,686
Public Works				
Highways, streets, bridges	\$ 30,000	\$ 30,000	\$ -0-	\$ 30,000
Cultural and Recreation				
Parks	\$ 800	\$ 800	\$ 351	\$ 449
Library	200	200	100	100
Other	5,100	5,100	270	4,830
	-----	-----	-----	-----
Total Cultural and Recreation	\$ 6,100	\$ 6,100	\$ 721	\$ 5,379

BRUCE TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)

For the year ended March 31, 2007

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE (OVER) UNDER
EXPENDITURES (CONTINUED)				
Capital Outlay	\$ 90,500	\$ 90,500	\$ 20,069	\$ 70,431
Other Expenditures				
Other	\$ 16,725	\$ 14,677	\$ -0-	\$ 14,677
TOTAL EXPENDITURES	\$ 295,780	\$ 295,780	\$158,816	\$ 136,964
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ (61,530)	\$ (61,530)	\$ 71,486	\$ (133,016)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Transfers out	(74,000)	(74,000)	(74,000)	-0-
TOTAL OTHER FINANCING FINANCING (USES)	\$ (74,000)	\$ (74,000)	\$ (74,000)	\$ -0-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (135,530)	\$ (135,530)	\$ (2,514)	\$ (133,016)
FUND BALANCE - APRIL 1, 2006	176,799	176,799	176,799	-0-
FUND BALANCE - MARCH 31, 2007	\$ 41,269	\$ 41,269	\$174,285	\$ (133,016)

BRUCE TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - ROAD FUND I

For the year ended March 31, 2007

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE (OVER) UNDER
REVENUES				
Interest income	\$ 2,500	\$ 2,500	\$ 3,581	\$ (1,081)
Other	20	20	26	(6)
TOTAL REVENUES	\$ 2,520	\$ 2,520	\$ 3,607	\$ (1,087)
EXPENDITURES				
Public works	\$ 156,442	\$ 156,442	\$ 6,500	\$ 149,942
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ (153,922)	\$ (153,922)	\$ (2,893)	\$ (151,029)
FUND BALANCE - APRIL 1, 2006	154,153	154,153	154,153	-0-
FUND BALANCE - MARCH 31, 2007	\$ 231	\$ 231	\$151,260	\$ (151,029)

BRUCE TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL - ROAD FUND II

For the year ended March 31, 2007

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE (OVER) UNDER
REVENUES				
Taxes	\$ 58,000	\$ 58,000	\$124,621	\$ (66,621)
State grants	-0-	-0-	4,869	(4,869)
Charges for services	-0-	-0-	1,985	(1,985)
Interest and rents	600	600	1,104	(504)
Other	2,500	2,500	-0-	2,500
TOTAL REVENUES	\$ 61,100	\$ 61,100	\$132,579	\$ (71,479)
EXPENDITURES				
Public works	\$141,314	\$141,314	\$ 56,885	\$ 84,429
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ (80,214)	\$ (80,214)	\$ 75,694	\$ (155,908)
FUND BALANCE - APRIL 1, 2006	83,956	83,956	83,956	-0-
FUND BALANCE - MARCH 31, 2007	\$ 3,742	\$ 3,742	\$159,650	\$ (155,908)

BRUCE TOWNSHIP  
NON-MAJOR FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - OTHER GOVERNMENTAL FUNDS

For the year ended March 31, 2007

	FIRE AND AMBULANCE FUND	FIRE EQUIPMENT FUND	ZONING FUND
REVENUES			
State grants	\$ 2,774	\$ -0-	\$ -0-
Contributions from local units	12,380	19,883	-0-
Charges for services	1,721	-0-	1,335
Interest and rents	493	296	241
Other	1,751	-0-	-0-
	-----	-----	-----
TOTAL REVENUES	\$ 19,119	\$ 20,179	\$ 1,576
EXPENDITURES			
Public safety	\$ 55,885	\$ -0-	\$ 10,012
Capital outlay	9,290	-0-	-0-
	-----	-----	-----
TOTAL EXPENDITURES	\$ 65,175	\$ -0-	\$ 10,012
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES			
	\$ (46,056)	\$ 20,179	\$ (8,436)
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 45,000	\$ 26,000	\$ 3,000
Transfers out	-0-	-0-	-0-
Payments on long-term debt	-0-	(25,176)	-0-
	-----	-----	-----
TOTAL OTHER FINANCING SOURCES (USES)	\$ 45,000	\$ 824	\$ 3,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES			
	\$ (1,056)	\$ 21,003	\$ (5,436)
FUND BALANCES - APRIL 1, 2006			
	20,197	431	19,405
	-----	-----	-----
FUND BALANCES - MARCH 31, 2007			
	\$ 19,141	\$ 21,434	\$ 13,969
	=====	=====	=====

LIQUOR FUND	TOTAL (MEMORANDUM ONLY)
\$ 720	\$ 3,494
-0-	32,263
-0-	3,056
72	1,102
-0-	1,751
-----	-----
\$ 792	\$ 41,666
\$ 825	\$ 66,722
-0-	9,290
-----	-----
\$ 825	\$ 76,012
-----	-----
\$ (33)	\$ (34,346)
\$ -0-	\$ 74,000
-0-	-0-
-0-	(25,176)
-----	-----
\$ -0-	\$ 48,824
-----	-----
\$ (33)	\$ 14,478
5,211	45,244
-----	-----
\$ 5,178	\$ 59,722
=====	=====



## GILLETT, HALVORSEN & LEONHARDT, P.C.

Certified Public Accountants

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CHARLES W. LEONHARDT

MEMBER OF THE MICHIGAN  
ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS  
MEMBER OF THE AMERICAN  
INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Township Board  
Bruce Township  
Dafter MI 49724

We have audited the financial statements of Bruce Township for the year ended March 31, 2007, and have issued our report thereon dated September 4, 2007. Professional standards require that we provide you with the following information related to our audit.

### AUDITOR'S RESPONSIBILITY UNDER U.S. GENERALLY ACCEPTED AUDITING STANDARDS

As stated in our engagement letter dated August 15, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

### SIGNIFICANT ACCOUNTING POLICIES

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 Bruce Township are described in Note 1 to the financial statements.

During the year ended March 31, 2007, the Township did not initiate or change any of their significant accounting policies.

### ACCOUNTING ESTIMATES

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 based on reviewing and testing the historical data provided by management and using this data to compute the liability.

#### AUDIT ADJUSTMENTS

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicate matters that could have a significant effect on the Township's financial process.

#### DISAGREEMENT WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter 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.

#### CONSULTATION 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 to be expressed on those statements, our professional standards require the consulting accountant to advise us as to determine the consultant has all the relevant facts. To our knowledge, there were no such consultation with other accountants.

#### ISSUES DISCUSSED PRIOR TO RETENTION OF INDEPENDENT AUDITORS

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 Bruce Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

#### COMMENTS AND RECOMMENDATIONS REGARDING INTERNAL CONTROLS

As part of our audit, we considered the internal control of Bruce Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. Accordingly, we do not express an opinion on the system of internal control structure of Bruce Township taken as a whole. However, our procedures disclosed the following conditions that we would like to bring to your attention.

## BUDGET

During the current year, expenditures exceeded the amount appropriated in one instance. Therefore, the Township has not complied with P.A. 621 of 1978, Section 18(1), as amended, which states that a local unit of government shall not incur expenditures in excess of the amount appropriated. We recommend that budget categories should not be over expended and that the budget be monitored and amended as necessary during the year.

## CASH AND INVESTMENTS

At year end, the Township had \$401,694 in deposits with financial institutions that were uninsured by federal depository insurance. Also, during the year the Township had funds in excess of \$100,000 on deposit in a particular financial institution which would not have been covered by federal depository insurance. We recommend that the Township insure all funds.

## DELINQUENT TAX REMITTANCE

Townships must remit to schools and the County total taxes collected through the 1st and 15th of each month within 10 business days after the 1st and 15th day of each month. In addition, the Township is required to remit within 10 business days at least 90% of the total property tax collections on hand as of February 28. The Township did not follow the above payment schedule during the year ended March 31, 2007. We recommend that the Township prepare a schedule based upon the above criteria to remind them of the required due dates.

## SEGREGATION OF DUTIES

Separation of duties between persons who authorize transactions and persons who have control over the related assets does not exist to the extent possible in larger entities with several employees involved in the accounting process.

The least desirable accounting system is one in which the employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of accounting duties substantially increases control over errors without duplication of effort.

The desired separation of duties cannot be achieved with a few employees involved. The careful and consistent oversight provided by the Township Board appears to offset the inability to separate various accounting functions and should be continued. The Township Board maintains monitoring of current operations. Operating results are reviewed monthly which provides significant oversight for the inspection of any irregularities and discrepancies. The cost for additional staff to enable separation of duties is likely not economically justified and therefore, the Township Board's oversight is assisting in this internal control function. Our finding is intended only to point out that this element of internal control separation of duties does not, and at present, cannot exist.

ACCRUAL BASIS OF ACCOUNTING

The Township needs to incorporate the modified accrual basis of accounting into its interim financial statements. Numerous adjustments were made to attain the modified accrual basis of accounting.

In addition to the above reportable conditions, we became aware of some matters that are opportunities for strengthening internal controls and operating efficiency.

The Township should record the uniform chart of account numbers as well as the date paid and check number on canceled invoices to ensure proper classification of expenditures.

This report is intended solely for the information and use of the Township Board.

*Gillett Halvorsen & Leonhardt PC*

Gillett, Halvorsen & Leonhardt, P.C.  
Certified Public Accountants

September 4, 2007  
Sault Ste. Marie, Michigan