

**Township of Bloomer
Montcalm County, Michigan**

FINANCIAL STATEMENTS

March 31, 2014

Township of Bloomer
TABLE OF CONTENTS
March 31, 2014

| | <u>Page</u> |
|------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| INDEPENDENT AUDITOR'S REPORT | i-ii |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | iii-v |
| BASIC FINANCIAL STATEMENTS | |
| Government-wide Financial Statements | |
| Statement of Net Position | 1 |
| Statement of Activities | 2 |
| Governmental Fund Financial Statements | |
| Balance Sheet | 3 |
| Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position | 4 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance | 5 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities | 6 |
| Notes to Financial Statements | 7-12 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| General Fund | |
| Budgetary Comparison Schedule (Non-GAAP Basis) | 13-14 |
| Note to Required Supplementary Information | 15 |

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Township of Bloomer
Montcalm County, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Township of Bloomer (the Township) as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Township of Bloomer as of March 31, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 19, 2014

Township of Bloomer

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2014

The following is a discussion and analysis of the Township of Bloomer (the Township's) financial performance and position, providing an overview of the activities for the year ended March 31, 2014. This analysis should be read in conjunction with the Independent Auditor's Report and with the Township's financial statements, which follow this section. This discussion and analysis provides comparisons with the previous audited financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2014:

- State revenue sharing and taxes of \$196,548 and \$33,278, respectively, were the Township's largest revenue sources in the government-wide financial statements this year and encompass approximately 91% of the Township's total revenue.
- Total net position increased by \$51,186 in the current year or approximately 15%.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Township in more detail than the government-wide financial statements by providing information about the Township's General Fund.

The Township as a Whole

The following table shows, in a condensed format, the net position as of March 31, 2014 and 2012:

| | March 31, | |
|------------------------------|------------|------------|
| | 2014 | 2012 |
| Assets | | |
| Current assets | \$ 345,147 | \$ 265,002 |
| Capital assets, net | 53,320 | 2,870 |
| Total assets | 398,467 | 267,872 |
| Liabilities | | |
| Current liabilities | 6,960 | 1,010 |
| Net Position | | |
| Investment in capital assets | 53,320 | 2,870 |
| Unrestricted | 338,187 | 263,992 |
| Total net position | \$ 391,507 | \$ 266,862 |

Township of Bloomer

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2014

The Township's total net position was \$391,507 at March 31, 2014. Unrestricted net position (the part of net position that can be used to finance day-to-day operations) was \$338,187 at the end of the fiscal year. The net position invested in capital assets was \$53,320.

The following table shows the changes in net position for the years ended March 31, 2014 and 2012:

| | Years Ended March 31, | |
|------------------------------------|-----------------------|---------------------|
| | 2014 | 2012 |
| Revenue | | |
| Program revenue | | |
| Charges for services | \$ 15,484 | \$ 560 |
| Operating grants and contributions | 5,084 | - |
| General revenue | | |
| Property taxes | 33,278 | 43,551 |
| State shared revenue | 196,548 | 193,784 |
| Investment earnings | 262 | 3,634 |
| Other revenue | 1,772 | 3,565 |
| | <u>252,428</u> | <u>245,094</u> |
| Program Expenses | | |
| General government | 82,654 | 82,981 |
| Public safety | 19,388 | 16,121 |
| Public works | 90,983 | 310,324 |
| Community and economic development | 8,217 | 9,402 |
| | <u>201,242</u> | <u>418,828</u> |
| | <u>\$ 51,186</u> | <u>\$ (173,734)</u> |

Governmental Activities

The change in net position, or revenues over expenses, increased approximately 47% during since the year ended March 31, 2012. Revenues totaled \$252,428 with the greatest revenue sources being state revenue sharing, which increased approximately 1%, and property taxes, which decreased approximately 24%, from the fiscal year ended March 31, 2012. The decrease in property taxes can be attributed to a decline in the Township's property values and the annexation of certain property by the City. State revenue sharing and property taxes make up approximately 78% and 13% percent, respectively, of the total revenue.

The Township incurred expenses of \$201,242 during fiscal year 2014, a decrease of approximately 52% from the fiscal year ended March 31, 2012. This decrease is attributable to less road work completed during fiscal year 2014, as the Township repaired and maintained various roads during the summer of 2011 including County Line and Blackmer Road for a cost exceeding \$300,000. The public works function is the largest portion of the current fiscal year's expenses and includes the drains, highways, streets, bridges, and refuse collection. The public works function makes up approximately 45% of the total expenses. The second largest part of expense is incurred in the general governmental function which includes the Trustees, Supervisor, Clerk, and Treasurer.

The Township's Fund

The Township's sole fund is the General Fund with analysis beginning on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the individual fund, 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 property tax millages.

Township of Bloomer

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2014

The Township's Fund - continued

As of March 31, 2014, the Township's General Fund reported a fund balance of \$338,187, an increase of 16% from the ending fund balance at March 31, 2013. All of the fund balance as of March 31, 2014, is considered unassigned and available for any Township purpose. Excess revenue over expenditures was \$47,106 for the fiscal year ending March 31, 2014, and can largely be attributed to the increase in fire runs and State shared revenue and the decrease in township hall improvements and election related expenditures.

General Fund Budgetary Highlights

The Township's budget was amended multiple times during the year to adjust for various occurrences within the Township. The Township began and ended the fiscal year with the anticipation that revenues would equal expenditures and no usage of fund balance would occur. Actual revenue (non-GAAP basis) totaled \$252,823; \$26,848 more than the final amended budget. The excess of actual revenue received over budget resulted from greater than anticipated revenue sharing being received during the fiscal year.

While the individual line items were amended throughout the fiscal year, the total expenditures were not adjusted from the original to the final amended budget. Actual expenditures for the fiscal year were \$19,997 under the final amended budget (non-GAAP basis) as a result of general government, including the Trustees, Supervisor, Clerk, Treasurer, and Assessor expenditures, being less than anticipated. Actual expenditures were \$205,903 and the final budgeted amount was \$225,975.

Capital Assets

At the end of the fiscal year, the Township had approximately \$53,320 invested in a broad range of capital assets (net of accumulated depreciation), including land, construction in progress, buildings and improvements, and equipment and furniture. During the current year, the Township capitalized \$4,080 related to construction in progress on the new hall expected to be opened during the fall of 2014. See Note C in the financial statements for more details related to the Township's capital assets.

Current Economic Factors

Although revenue sharing increased in the current year due to adjustments at the State level, revenue sharing is still the most significant revenue budgetary concern as it continues to be under attack through the State's attempts to resolve budget issues. The phase out of personal property tax in the State may affect the Township's budget minimally in the short-term, although the long-term effects could be significant.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township at 217 W. Sherman Street, Carson City, Michigan 48811 or by telephone at (989) 584-3336.

BASIC FINANCIAL STATEMENTS

Township of Bloomer
STATEMENT OF NET POSITION
March 31, 2014

| | Governmental Activities |
|--------------------------------------|----------------------------|
| ASSETS | |
| Current assets | |
| Cash | \$ 312,551 |
| Receivables | 500 |
| Due from other governmental units | 32,096 |
| Total current assets | 345,147 |
| Noncurrent assets | |
| Capital assets not being depreciated | 53,320 |
| TOTAL ASSETS | 398,467 |
| LIABILITIES | |
| Current liabilities | |
| Accounts payable | 2,061 |
| Accrued liabilities | 4,899 |
| TOTAL LIABILITIES | 6,960 |
| NET POSITION | |
| Investment in capital assets | 53,320 |
| Unrestricted | 338,187 |
| TOTAL NET POSITION | \$ 391,507 |

See accompanying notes to financial statements.

Township of Bloomer
STATEMENT OF ACTIVITIES
Year Ended March 31, 2014

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|-------------------------------------|------------|-------------------------|------------------------------------------|------------------------------------------------------------|
| | | Charges for Services | Operating Grants and Contributions | |
| Governmental activities | | | | |
| General government | \$ 82,654 | \$ 14,161 | \$ - | \$ (68,493) |
| Public safety | 19,388 | 1,323 | 1,832 | (16,233) |
| Public works | 90,983 | - | 3,252 | (87,731) |
| Community and economic development | 8,217 | - | - | (8,217) |
| Total governmental activities | \$ 201,242 | \$ 15,484 | \$ 5,084 | (180,674) |
| General revenues | | | | |
| Property taxes | | | | 33,278 |
| State revenue sharing | | | | 196,548 |
| Investment earnings | | | | 262 |
| Other | | | | 1,772 |
| Total general revenues | | | | 231,860 |
| Change in net position | | | | 51,186 |
| Net position, beginning of the year | | | | 340,321 |
| Net position, end of the year | | | | \$ 391,507 |

See accompanying notes to financial statements.

Township of Bloomer

Governmental Fund

BALANCE SHEET

March 31, 2014

| | <u>General Fund</u> |
|------------------------------------|--------------------------|
| ASSETS | |
| Cash | \$ 312,551 |
| Accounts receivable | 500 |
| Due from other governmental units | <u>32,096</u> |
| TOTAL ASSETS | <u><u>\$ 345,147</u></u> |
| LIABILITIES | |
| Accounts payable | \$ 2,061 |
| Accrued liabilities | <u>4,899</u> |
| TOTAL LIABILITIES | 6,960 |
| FUND BALANCE | |
| Unassigned | <u>338,187</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u><u>\$ 345,147</u></u> |

See accompanying notes to financial statements.

Township of Bloomer

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

March 31, 2014

Total fund balance - governmental fund \$ 338,187

Amounts reported for the governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental fund.

| | |
|-------------------------------|------------------|
| The cost of capital assets is | \$ 212,492 |
| Accumulated depreciation is | <u>(159,172)</u> |

| | |
|---------------------|---------------|
| Capital assets, net | <u>53,320</u> |
|---------------------|---------------|

| | |
|------------------------------------------------|--------------------------|
| Net position of governmental activities | <u><u>\$ 391,507</u></u> |
|------------------------------------------------|--------------------------|

Township of Bloomer

Governmental Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

Year Ended March 31, 2014

| | General Fund |
|------------------------------------|--------------------------|
| REVENUES | |
| Taxes | \$ 45,639 |
| Licenses and permits | 1,050 |
| Intergovernmental | 201,632 |
| Charges for services | 1,323 |
| Interest and rent | 1,012 |
| Other | <u>1,772</u> |
| TOTAL REVENUES | 252,428 |
| EXPENDITURES | |
| Current | |
| General government | 84,716 |
| Public safety | 19,388 |
| Public works | 90,983 |
| Community and economic development | 8,217 |
| Other | <u>2,018</u> |
| TOTAL EXPENDITURES | <u>205,322</u> |
| NET CHANGE IN FUND BALANCE | 47,106 |
| Fund balance, beginning of year | <u>291,081</u> |
| Fund balance, end of year | <u><u>\$ 338,187</u></u> |

See accompanying notes to financial statements.

Township of Bloomer

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

Year Ended March 31, 2014

Net change in fund balance - governmental fund \$ 47,106

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental fund. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:

| | |
|----------------|-------|
| Capital outlay | 4,080 |
|----------------|-------|

| | |
|----------------------------------------------------------|------------------|
| Change in net position of governmental activities | \$ 51,186 |
|----------------------------------------------------------|------------------|

Township of Bloomer

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Bloomer, Michigan, (the Township) was organized as a township under provisions of the constitution and general law of the State of Michigan. The Township is one of twenty (20) townships in Montcalm County. The Township operates under an elected Board which consists of a Supervisor, Clerk, Treasurer, and two trustees and provides services in many areas including fire protection, roads, and planning.

The financial statements of the Township have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to township governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Township's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present all financial activities of the Township. The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of the Township contain all the funds controlled by the Board.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the Township as a whole. All nonfiduciary activities of the Township are included (i.e., fiduciary fund activities are not included in the government-wide financial statements).

The statement of activities presents the direct functional expenses of the Township and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services that are restricted to meeting the operational requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes property taxes, interest, and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major fund. The Township presents the following major governmental fund:

- a. General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

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

3. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide financial statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The government-wide financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Revenues for grants and contributions are recognized when all eligibility requirements imposed by the provider have been met. Unearned revenue is recorded in the government-wide financial statements when resources are received by the before it has legal claim to them, such as when program fees are received.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within sixty (60) days of the end of the current period. Revenues susceptible to accrual include state and federal grants and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

If/when both restricted and unrestricted resources are available for use, it is the Township's practice to use restricted resources first, then unrestricted resources as they are needed.

5. Budgets and Budgetary Accounting

The General Fund's budget shown as required supplementary information to the financial statements was prepared on the cash (non-GAAP) basis of accounting.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to April 1, the budget is legally adopted on a departmental (activity) level through passage of a Board resolution. After the budget is adopted, all transfers of budgeted amounts between activities or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year.

Township of Bloomer

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

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

5. Budgets and Budgetary Accounting - continued

- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year. Individual amendments were appropriately approved by the Township Board in accordance with required procedures.

6. Cash

Cash consists of checking accounts.

7. Due From Other Governmental Units

Due from other governmental units consists of amounts due from the State of Michigan for State revenue sharing amounts that have been collected by the State but not yet remitted to the Township.

8. Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements. Capital assets are those with an initial individual cost of \$5,000 or more, with an estimated useful life of more than one year. Capital assets are not recorded in the governmental fund. Instead, capital acquisition and construction are reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

| | |
|----------------------------|---------------|
| Buildings and improvements | 10 - 40 years |
| Equipment and furniture | 5 - 15 years |

9. Property Taxes

The Township bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

The property taxes attach as an enforceable lien on property as of December 1. Taxes are levied December 1 and are payable through February 14. All property taxes not paid by February 14 are deemed delinquent. Delinquent real property taxes are turned over to the Montcalm County Treasurer on March 1. The Montcalm County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental service and additional amounts for special and debt service. For the year ended March 31, 2014, the Township levied 0.8283 mills per \$1,000 of assessed valuation for general governmental services. The total taxable value for the 2013 levy for property within the Township was \$37,439,796.

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

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

10. Deferred Outflows/Inflows of Resources

In additions to assets, the statement of net position and the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position/fund balance that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In additions to liabilities, the statement of net position and the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position/fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

The Township does not currently have any deferred outflows of resources or deferred inflows of resources to report.

11. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2014, carrying amount of the Township's deposits was \$312,551 and the bank balance was \$345,289, of which \$282,875 was covered by federal depository insurance. The remaining balance of \$62,414 was uninsured and uncollateralized.

Township of Bloomer

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

NOTE B: CASH - CONTINUED

Deposits - continued

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of March 31, 2014, the Township did not have any investments that would be subject to rating.

Interest rate risk

The Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designing its portfolio in a manner to attain a market rate of return throughout the budgetary and economic cycles while preserving and protecting capital.

Concentration of credit risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio to prevent over concentration of assets in a specific maturity, individual financial institution, or specific class of securities.

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2014, was as follows:

| | Balance April 1, 2013 | Additions | Deletions | Balance March 31, 2014 |
|--------------------------------------------|--------------------------|-----------------|---------------|---------------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 30,000 | \$ - | \$ - | \$ 30,000 |
| Construction in progress | 19,240 | 4,080 | - | 23,320 |
| Total capital assets not being depreciated | 49,240 | 4,080 | -0- | 53,320 |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 154,417 | - | - | 154,417 |
| Equipment and furniture | 4,755 | - | - | 4,755 |
| Subtotal | 159,172 | -0- | -0- | 159,172 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (154,417) | - | - | (154,417) |
| Equipment and furniture | (4,755) | - | - | (4,755) |
| Subtotal | (159,172) | -0- | -0- | (159,172) |
| Net capital assets being depreciated | -0- | -0- | -0- | -0- |
| Capital assets, net | <u>\$ 49,240</u> | <u>\$ 4,080</u> | <u>\$ -0-</u> | <u>\$ 53,320</u> |

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

NOTE D: RISK MANAGEMENT

The Township participates in a pool, the Michigan Township Participating Plan, with other municipalities for auto, property, crime, general liability, boiler and machinery, employee benefits, public official liability, law enforcement, electronic data processing (EDP), and inland marine losses. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self-insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Township has not been informed of any special assessments being required.

The Township also participates in a pool, the Michigan Municipal League Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Township has not been informed of any special assessments being required.

NOTE E: DETAILS OF FUND BALANCE CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five (5) fund balance classifications under this standard:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.)

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee, or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, the Township's highest level of decision-making authority is the Township Board. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution by the Township Board.

For assigned fund balance, the Township has not adopted a policy indicating who is to assign amounts to a specific purpose. As a result, this authority is retained by the Township Board.

The Township has not formally adopted a policy that defines the order of usage for fund balance amounts classified as restricted, committed, assigned, or unassigned. In the absence of such a policy, the Township considers restricted amounts to have been spent first when an expenditure is incurred for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the Township considers committed, assigned, and then unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Bloomer

General Fund

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)

Year Ended March 31, 2014

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|------------------------------------|------------------|----------------|----------------|---------------------------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | | | | |
| Current property taxes | \$ 30,000 | \$ 30,000 | \$ 33,086 | \$ 3,086 |
| Administrative and collection fees | 14,400 | 14,400 | 12,401 | (1,999) |
| Total taxes | 44,400 | 44,400 | 45,487 | 1,087 |
| Licenses and permits | | | | |
| Zoning permit | 700 | 700 | 1,050 | 350 |
| Intergovernmental | | | | |
| State revenue sharing | 180,000 | 180,000 | 197,595 | 17,595 |
| Metro maintenance fee | - | - | 3,252 | 3,252 |
| State prison fire protection | 600 | 600 | 1,832 | 1,232 |
| Total intergovernmental | 180,600 | 180,600 | 202,679 | 22,079 |
| Charges for services | - | - | 823 | 823 |
| Interest and rent | 275 | 275 | 1,012 | 737 |
| Other | - | - | 1,772 | 1,772 |
| TOTAL REVENUES | 225,975 | 225,975 | 252,823 | 26,848 |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | | | | |
| Township board | 12,900 | 12,420 | 9,992 | 2,428 |
| Supervisor | 5,735 | 5,735 | 5,088 | 647 |
| Clerk | 13,916 | 12,444 | 10,504 | 1,940 |
| Board of review | 1,450 | 1,534 | 1,238 | 296 |
| Treasurer | 16,726 | 16,161 | 12,414 | 3,747 |
| Assessor | 14,500 | 14,500 | 12,270 | 2,230 |
| Elections | 6,000 | 700 | 291 | 409 |
| Building and grounds | 12,236 | 24,636 | 22,428 | 2,208 |
| Cemetery | 8,272 | 10,272 | 9,875 | 397 |
| Total general government | 91,735 | 98,402 | 84,100 | 14,302 |

Township of Bloomer

General Fund

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS) - CONTINUED

Year Ended March 31, 2014

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|----------------------------------------------|------------------|-----------|-----------|---------------------------------------------------------|
| | Original | Final | | |
| EXPENDITURES - CONTINUED | | | | |
| Current - continued | | | | |
| Public safety | | | | |
| Fire protection | \$ 20,000 | \$ 20,000 | \$ 19,388 | \$ 612 |
| Public works | | | | |
| Drains | 10,000 | 11,225 | 11,225 | -0- |
| Highways, streets, bridges | 85,624 | 77,329 | 77,308 | 21 |
| Street lighting | 650 | 650 | 577 | 73 |
| Refuse collection/disposal | 2,630 | 1,875 | 1,873 | 2 |
| Total public works | 98,904 | 91,079 | 90,983 | 21 |
| Community and economic development | | | | |
| Planning | 5,500 | 6,000 | 2,791 | 3,209 |
| Zoning | 5,336 | 5,994 | 5,477 | 517 |
| Total community and economic development | 10,836 | 11,994 | 8,268 | 3,726 |
| Other | | | | |
| Payroll taxes | 4,500 | 4,500 | 3,164 | 1,336 |
| TOTAL EXPENDITURES | 225,975 | 225,975 | 205,903 | 19,997 |
| Net change in fund balance (budgetary basis) | \$ -0- | \$ -0- | 46,920 | \$ 46,920 |
| Net accounting basis differences | | | 186 | |
| Net change in fund balance (GAAP basis) | | | \$ 47,106 | |

Township of Bloomer

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended March 31, 2014

NOTE A: BUDGET/GAAP RECONCILIATION

The actual amounts in the budgetary comparison schedule (non-GAAP basis) are presented on the same basis of accounting used in preparing the adopted budget. The following schedule reconciles the amounts on those schedules to the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund prepared in accordance with U.S. generally accepted accounting principles.

| | | |
|------------------------------------------------------------------------------------|----|----------------------|
| Net change in fund balance (budgetary basis) | \$ | 46,920 |
| To record revenues in the period during which they were earned and available | | (395) |
| To record expenditures for accounts payable and accrued wages in the period due | | <u>581</u> |
| Net change in fund balance (GAAP basis) | \$ | <u><u>47,106</u></u> |

Principals

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Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS

To the Board of Trustees
Township of Bloomer
Montcalm County, Michigan

In planning and performing our audit of the financial statements of the governmental activities and the major fund of the Township of Bloomer (the Township) as of and for the year ended March 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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

MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Material journal entries for the proper recognition of amounts due from other governmental units were proposed by the auditors. These misstatements were not detected by the Township's internal control over financial reporting.

Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (where applicable), including the proper recording of journal entries to assure the trial balances from which the financial statements are prepared are in conformity with U.S. generally accepted accounting principles.

We recommend that the Township take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

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

PREPARATION OF FINANCIAL STATEMENTS

Michigan governments are required to prepare financial statements in accordance with U.S. generally accepted accounting principles (GAAP). Responsibility for the financial statements of the Township rests with the Township's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

It has historically been common for many small to medium-size governments to rely on the independent auditors to assist in the preparation of the financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process.

The Township relies on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP. The cause for this condition is simply because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having employees and/or management obtain the necessary training and expertise required to perform this task internally.

We recommend the Township consider the costs and benefits related to obtaining training related to the preparation of GAAP financial statements. This recommendation is not intended to imply that the Township's contractual arrangement with the independent auditors, which includes the preparation of the financial statements, is improper or should be changes.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance and other matters that are required to be reported.

This communication is intended solely for the information and use of the Board of Trustees of the Township of Bloomer, others within the Township, and the applicable departments of the State of Michigan and is not intended to be, and should not be, used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 19, 2014