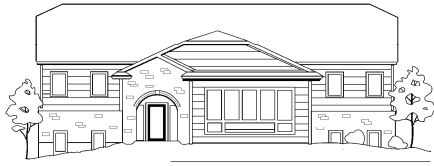


TOWNSHIP OF BRILEY
MONTMORENCY COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
MARCH 31, 2014

TOWNSHIP OF BRILEY

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-4
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position	5
Statement of Activities	6
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	7
Reconciliation of the Balance Sheet to the Statement of Net Position	8
Statement of Revenues, Expenditures and Changes in Fund Balance	9
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	10
Proprietary Fund – Water	
Statement of Net Position	11
Statement of Revenue, Expenditures and Changes in Net Position	12
Statement of Cash Flows	13
Notes to Financial Statements	14-22
Required Supplemental Information	
Budgetary Comparison Schedule - General Fund	23
Budgetary Comparison Schedule – Fire and Ambulance Fund	24
Budgetary Comparison Schedule – Road Fund	25



Miller & Cook, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Richard W. Miller, CPA
Jeffrey B. Cook, CPA

100 West First Street
P.O. Box 962
Gaylord, MI 49734

INDEPENDENT AUDITOR'S REPORT

August 18, 2014

To the Township Board
Briley Township
Montmorency County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, the nonmajor fund, and the proprietary fund information of Briley Township, Montmorency County, Michigan, 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 misstatements of the financial statements, where 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 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, each major fund, the nonmajor fund, and the proprietary fund of Briley Township, Montmorency County, Michigan as of March 31, 2014, and the respective changes in financial position of the year then ended, and the cash flows of its proprietary fund in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 and 4 and budgetary comparison information on pages 23-25 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Miller & Cook, LLP

**TOWNSHIP OF BRILEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED MARCH 31, 2014**

This section of Briley Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2014. Please read it in conjunction with the financial statements that immediately follow this section.

Financial Highlights

Overall revenues for the primary government were approximately \$607,000 of which approximately \$499,000 is classified as general revenues (consisting primarily of state shared revenues and property taxes). Overall expenses totaled approximately \$576,000 for the primary government. The activities of the Township have remained the same as the previous years.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities. The remaining statements are fund financial statements, which focus on the detailed activities of the Township's funds.

The notes to the financial statements explain some of the information in the statements and provide more detailed data. Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

Government-Wide Statements

The government-wide statements report information about the Township as a whole using accounting methods used by private companies. The Statement of Net Assets includes all of the Township's assets and liabilities. The Statement of Activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities and this is one method to measure the Township's financial health or position.

Over time, increases or decreases in an entity's net assets is an indicator of whether financial position is improving or deteriorating.

To assess overall health of an entity, you may also have to consider tax base changes and other various economic conditions.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's funds. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following kinds of funds:

Governmental Funds: All of the Township's activities are classified in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that differences between the government-wide statements and the fund statements are disclosed to explain the difference between them.

General Fund – this fund accounts for all activities of the Township not required to be reported in a separate fund. Revenues consist primarily of property taxes and state shared revenues. Expenditures consist of general government activities, cemetery, building and grounds and street lights.

Roads Fund – this fund accounts for the road millage and road repair and maintenance expenditures.

Fire and Ambulance Fund- This fund is used to account for the financial activity related to the fire and ambulance services. Revenues are derived primarily from property taxes. The township contracts with a non related entity for these services.

Cemetery Fund- This nonmajor fund is used to account for the activities of the cemetery.

Water Fund- This business type fund accounts for the sale of and expenses for water provided to the residents and businesses of Briley Township.

Financial Analysis of the Township as a Whole

Net Position - the Township's net position decreased by approximately \$20,000 during the year ended March 31, 2014 and total at year-end \$1,785,207. The decrease is due to a loss in the water fund.

Capital Asset and Long-Term Debt Activity

The township purchased no significant assets for the year. The only long term debts are vacation and sick time of \$11995 due to employees.

Known Factors affecting Future Operations

None.

Contacting Township Management

This financial report is designed to provide our taxpayers, creditors and investors with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have questions concerning this report, please contact any member of the Township Board at 11331 West St, Atlanta, MI 49709.

Mr. Mike Wurtsmith, Supervisor

BRILEY TOWNSHIP
STATEMENT OF NET POSITION
MARCH 31, 2014

	Governmenta Activities	Business- Type Activities	Total
Assets			
Cash	\$ 774,047	\$ 72,173	\$ 846,220
Receivables	47,552	12,403	59,955
Capital assets not being depreciated	197,600	5,475	203,075
Capital assets, net of accumulated depreciation	75,962	640,485	716,447
Total Assets	1,095,161	730,536	1,825,697
Total Assets	1,095,161	730,536	1,825,697
Liabilities			
Accounts payable	28,495	-	28,495
Accrued vacation /sick time, long term	11,995	-	11,995
Total Liabilities	40,490	-	40,490
Net Position			
Investment in capital assets	261,567	645,960	907,527
Restricted for:			
Fire/Ambulance	-	-	-
Road	428,738	-	428,738
Cemetery	10,556	-	10,556
Dock	3,671	-	3,671
Water	-	84,576	84,576
Unrestricted	350,139		350,139
Total Net Position	\$ 1,054,671	\$ 730,536	\$ 1,785,207

See accompanying notes to financial statements

BRILEY TOWNSHIP
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2014

Functions / Programs	Expenses	<u>Program Revenues</u>			<u>Net Revenue/(Expense) and Changes in Net Position</u>	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Total Business- Type Activities
Primary Government Governmental Activities						
Public safety	\$ (370,171)	\$ 17,410	\$ 44,207	\$ -	\$ (308,554)	\$ -
Public works	(146,558)	-	-	-	(146,558)	-
	(72,294)	-	-	-	(72,294)	-
Total governmental activities	(589,023)	17,410	44,207	-	(527,406)	-
Business-type Activities						
Water	(78,578)	43,732	-	-	-	(34,846)
Total Government	\$ (667,601)	\$ 61,142	\$ 44,207	\$ -	(527,406)	(34,846)
<u>General revenues</u>						
Taxes					342,044	-
State revenue sharing					156,862	-
Interest incom					4,555	-
Miscellaneous income					42,247	-
Total general revenues					545,708	-
Change in net position					18,302	(34,846)
Net position- beginning of year					1,036,369	765,382
Net position- end of year					\$ 1,054,671	730,536

See accompanying notes to financial statements

TOWNSHIP OF BRILEY
BALANCE SHEET
GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2014

	General Fund	Fire and Ambulance Fund	Road Fund	Nonmajor Government Cemetery Fund	Total Government Funds
Assets					
Cash	\$ 325,464	\$ -	\$ 437,864	\$ 10,719	\$ 774,047
Receivables	20,537	17,977	9,038	-	47,552
Due from other funds	18,327	-	-	-	18,327
Total Assets	\$ 364,328	\$ 17,977	\$ 446,902	\$ 10,719	\$ 839,926
Liabilities					
Accounts payable	\$ 10,518	\$ 17,977	\$ -	\$ -	\$ 28,495
Due to other funds	-	-	18,164	163	18,327
Total Liabilities	\$ 10,518	\$ 17,977	\$ 18,164	\$ 163	\$ 46,822
Fund balance					
Restricted for dock expenditures	\$ 3,671	\$ -	\$ -	\$ -	\$ 3,671
Restricted for special revenue funds	-	-	428,738	10,556	439,294
Unassigned	350,139	-	-	-	350,139
Total fund balance	353,810	-	428,738	10,556	793,104
Total liabilities and fund balance	\$ 364,328	\$ 17,977	\$ 446,902	\$ 10,719	\$ 839,926

See accompanying notes to financial statements

TOWNSHIP OF BRILEY
RECONCILIATION OF GOVERNMENTAL FUND'S BALANCE SHEET
TO THE STATEMENT OF NET POSITION
YEAR ENDED MARCH 31, 2014

Total fund balance - governmental activities	\$	793,104
Amounts reported for governmental activities in the statement of net position are different because capital assets used in governmental activities are not current financial resources and therefore not recorded in the funds		273,562
And long term liabilities are not due and payable in the current period and therefore not reported in the funds		(11,995)
Total net position - governmental activities	\$	<u>1,054,671</u>

See accompanying notes to financial statements

TOWNSHIP OF BRILEY
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2014

	General Fund	Fire and Ambulance Fund	Road Fund	Nonmajor Governmental Cemetery Fund	Total Governmental Fund
Revenue					
Taxes	\$ 128,249	\$ 142,530	\$ 71,265	\$ -	\$ 342,044
State revenue sharing	153,004	-	3,858	-	156,862
Charges for services	8,360	-	1,719	7,331	17,410
Interest Income	3,200	-	1,327	28	4,555
Miscellaneous Income	85,629	-	-	825	86,454
Total Revenue	<u>378,442</u>	<u>142,530</u>	<u>78,169</u>	<u>8,184</u>	<u>607,325</u>
Expenditures					
General government	351,749	-	-	10,669	362,418
Public safety	2,706	142,530	-	-	145,236
Public works	-	-	68,551	-	68,551
Total expenditures	<u>354,455</u>	<u>142,530</u>	<u>68,551</u>	<u>10,669</u>	<u>576,205</u>
Excess of revenues over expenditures	23,987	-	9,618	(2,485)	31,120
Fund balance - beginning of year	329,823	-	419,120	13,041	761,984
Fund balance - end of year	<u>\$ 353,810</u>	<u>\$ -</u>	<u>\$ 428,738</u>	<u>\$ 10,556</u>	<u>\$ 793,104</u>

See accompanying notes to financial statement

BRILEY TOWNSHIP
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED MARCH 31, 2014

Net change in fund balance- total governmental funds	\$	31,120
Amounts reported for for governmental activities in the statement of activities are different because depreciation expense is recorded in the statement of activities but not the governmental fund financial statements		(12,818)
Change in net position- governmental activities	\$	18,302

See accompanying notes to financial statements

BRILEY TOWNSHIP
STATEMENT OF NET POSITION
WATER FUND
MARCH 31, 2014

	Water
Assets	
Current assets	
Cash	\$ 72,173
Receivables	12,403
	84,576
Total current assets	84,576
Noncurrent assets	
Capital assets not being depreciated	5,475
Capital assets, net of accumulated depreciation	640,485
	645,960
Total noncurrent assets	645,960
Total assets	\$ 730,536
Net position	
Invested in capital assets	645,960
Unrestricted	84,576
	730,536
Total net position	730,536

See accompanying notes to financial statements

TOWNSHIP OF BRILEY
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN NET POSITION
WATER FUND
YEAR ENDED MARCH 31, 2014

	Water Fund
Operating revenue	
Water Services	\$ 43,732
Operating expenses	
Wages	31,028
Supplies	2,384
Utilities	8,626
Repair and maintenance	1,894
Miscellaneous	243
Depreciation	34,403
Total operating expenses	78,578
Operating loss	(34,846)
Nonoperating revenue	
Interest and miscellaneous income	370
Change in net position	(34,476)
Net position - beginning of year	765,382
Net position - end of year	\$ 730,906

See accompanying notes to financial statements

BRILEY TOWNSHIP
STATEMENT OF CASH FLOWS
WATER FUND
FOR THE YEAR ENDED MARCH 31, 2014

	<u>Water Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 42,079
Cash payments to vendors for goods and services	(13,147)
Payments to employees	(31,028)
	<hr/>
Net decrease in cash	(2,096)
Cash - beginning of year	74,269
	<hr/>
Cash - end of year	\$ 72,173
	<hr/> <hr/>

See accompanying notes to financial statements

TOWNSHIP OF BRILEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

NOTE 1: ENTITY

The Township of Briley is a general law township of the State of Michigan located in Montmorency County, Michigan. It operates under an elected board and provides service to its residents in many areas including public safety, public works, and water services. The criteria established for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements include all of the governmental functions of Briley Township.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of Briley Township are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations including required disclosures of the Township's financial activities.

The accounting policies of Briley Township conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Township.

Individual funds are not displayed, but the statements distinguish governmental activities, generally supported by taxes and Township general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not included with program revenues are reported as general revenues.

TOWNSHIP OF BRILEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT
PRESENTATION(CONTINUED)**

Fund Financial Statements

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

FUND TYPES AND MAJOR FUNDS

Governmental Funds

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants and other inter-governmental revenues.

Road Fund – This fund is used to account for the financial activity related to the repair and maintenance of Township roads. Revenues are derived primarily from property taxes.

Fire and Ambulance Fund- This fund is used to account for the financial activity related to the fire and ambulance services. Revenues are derived primarily from property taxes. The township contracts with a non related entity for these services.

Cemetery Fund- This nonmajor fund is used to account for the activities of the cemetery.

Water Fund- This business type fund accounts for the sale of and expenses for water provided to the residents and businesses of Briley Township.

Fund Equity Information

Beginning with fiscal year 2011-2012, the Township implemented GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – Includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

**TOWNSHIP OF BRILEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity Information (continued)

Restricted – Includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – Includes amounts that can only be used for specific purposes determined by a formal action by board resolution. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (Board Resolution) that was employed when the funds were initially committed.

Assigned – Includes amounts a government intends to use for a specific purpose. Intent can be expressed by the Board or by an official or body to which the Board delegates the authority

Unassigned – Includes amounts that are available for any purpose. Positive amounts are only reported in the General Fund.

It is the Township’s policy to first use restricted fund balance prior to the use of unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The Township’s policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Fund Balances	<u>General</u>	<u>Fire and Ambulance</u>	<u>Road</u>	<u>Cemetery</u>	<u>Water</u>
Non Spendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	3,671	-	428,738	10,556	84,576
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	<u>350,139</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>\$ 353,810</u>	<u>\$ -</u>	<u>\$ 428,738</u>	<u>\$ 10,556</u>	<u>\$ 84,576</u>

TOWNSHIP OF BRILEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Township are prepared in accordance with generally accepted accounting principles (GAAP). The Township applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Township does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include water services provided to Township departments.

Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Proprietary funds distinguish operating revenues expenses from nonoperating items. Operating revenues and expenses result from providing goods and services in connection with the fund's principal business. The principal operating revenues of the water fund are the charges to customers for the sale of water and tap in fees. Expenses of the water fund include wages and depreciation on capital assets.

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available.

Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

**TOWNSHIP OF BRILEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

PROPERTY TAXES

The 2013 property tax calendar is as follows:

	WINTER LEVY	SUMMER LEVY
Levy Date	December 1, 2013	July 1, 2013
Due Date	February 15, 2014	September 14, 2013

The real property tax rolls were turned over to the County of Montmorency on March 1, 2014. Collection of personal property taxes remains the responsibility of the Township. Amounts collected after the due date are assessed interest and/or penalty provisions. A county revolving fund normally pays the balance of the Township's tax levy.

BUDGETS

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Township for budgetary funds were adopted on a line item level. Budgets are normally formulated during January and February of each year and a budget hearing is held in March. The board normally adopts the budget just prior to April 1. The budgets as presented in these financial statements have been amended throughout the year. They were adopted using the modified accrual method of accounting. They expire on March 31 of each year. There are no carryover items. The Township experienced no over-expenditures for the year ended March 31, 2014.

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TOWNSHIP OF BRILEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS AND DEPRECIATION

The Township's property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Township generally capitalizes assets with historical cost of \$500 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations. The Township does not capitalize infrastructure such as roads.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings, additions and improvements	10 – 50 years
Vehicles, machinery and equipment	2 – 20 years

Land and construction in progress are not depreciated. For information describing capital assets, see Note 4.

LONG-TERM DEBT

In the government-wide financial statements, outstanding debt is reported as liabilities.

The governmental fund financial statements recognize the proceeds of debt as other financing sources of the current period and principal paid on obligations as debt service expense.

Compensated absences- the township's personnel policies provide for the payment of unused vacation and sick pay. Employees, but not elected officials, may accumulate no more than 320 hours sick pay, while vacation time is limited to two weeks carryover (use it or lose it) as of the employee's hiring anniversary date. The liability calculated at current wage rates amounts to \$11,995 at March 31, 2014.

NOTE 3: CASH AND EQUIVALENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan.

**TOWNSHIP OF BRILEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014**

NOTE 3: CASH AND EQUIVALENTS (CONTINUED)

The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

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

At March 31, 2014 the Township's deposits were reported in the basic financial statements as follows:

General Government	\$	325,464
Road		437,864
Cemetery		10,719
Water		72,173
Total		\$ 846,220

DEPOSITS

The bank balance of the Township's deposits is \$846,220 of which \$500,000 is covered by federal depository insurance as of March 31, 2014. The remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of the FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

TOWNSHIP OF BRILEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

NOTE 4: CAPITAL ASSETS

Capital asset activity follows:

Governmental Activities:	Balance March 31, 2013	Additions	Disposals	Balance March 31, 2014
Capital assets not being depreciated:				
Land	\$ 197,600	-	\$ -	\$ 197,600
Capital assets being depreciated				
Buildings and improvements	304,858		-	304,858
Vehicles, machinery and equipment	188,576		-	188,576
Total assets not being depreciated	493,434		-	493,434
Accumulated depreciation amortization				
Buildings and improvements	228,580	8,164	-	236,744
Vehicles, machinery and equipment	176,074	4,654	-	180,728
Total accumulated depreciation	404,654	12,818	-	417,472
		12,818	-	
Net capital assets being depreciated	88,780			75,962
Net capital assets	\$ 286,380	\$ 12,818	\$ -	\$ 273,562
Business-type Activities	Balance March 31, 2013	Additions	Disposals	Balance March 31, 2013
Capital assets not being depreciated:				
Land	\$ 5,475	\$ -	\$ -	\$ 5,475
Capital assets being depreciated:				
Water system	1,375,018	-	-	1,375,018
Accumulated depreciation amortization				
Water system	700,130	34,403	-	734,533
New capital assets being depreciated	674,888	34,403	-	640,485
Business-type capital assets	\$ 680,363	\$ 4,403	\$ -	\$ 645,960

TOWNSHIP OF BRILEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

NOTE 4: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the Township as follows:

Governmental Activities:	
General Government	\$ 12,818
Water	34,403
	<u>\$ 47,221</u>

NOTE 5: PENSION PLAN

The Township of Briley contributes to a pension plan which is a defined contribution pension plan administered by MetLife.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive.

Under the Township's defined contribution pension plan, the benefits a participant will receive depend upon the amount contributed to the participant's account and the returns earned on investments of those contributions. All full-time employees and elected officials are eligible to participate in the plan. Contributions made by the Township and employees are fully vested. The participant will receive all vested benefits upon termination of employment with the Township.

Each eligible employee contributes 7.5% of their wages and the Township matches that amount. For the year ended March 31, 2014 the /township contributed \$11,090. The Township has met all of its requirements regarding the plan. There were no significant changes to the plan during the year.

NOTE 7: CONTINGENCIES

Insurance Coverage

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters, as well as medical benefits provided to employees. The Township has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

TOWNSHIP OF BRILEY
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2014

	Original Budget	Amended Budget	Actual	Variance From Final Amended Budget
Revenue				
Taxes	\$ 130,202	\$ 130,202	\$ 128,249	\$ (1,953)
State revenue sharing	164,600	164,600	153,004	(11,596)
Charges services	8,688	8,688	8,360	(328)
Interest Income	2,005	2,005	3,200	1,195
Miscellaneous Income	124,915	124,915	85,629	(39,286)
Total revenue	<u>430,410</u>	<u>430,410</u>	<u>378,442</u>	<u>(51,968)</u>
Expenditures				
General government				
Township Board	121,350	121,350	115,992	(5,358)
Supervisor	13,900	13,900	12,883	(1,017)
Clerk	24,026	24,026	23,513	(513)
Board of review	6,850	6,850	987	(5,863)
Treasurer	28,550	28,550	25,571	(2,979)
Assessor	27,070	27,070	25,958	(1,112)
Elections	3,900	3,900	272	(3,628)
Buildings and grounds	17,300	17,300	13,145	(4,155)
Other services	192,757	192,757	133,428	(59,329)
Total general government	<u>435,703</u>	<u>435,703</u>	<u>351,749</u>	<u>(83,954)</u>
Public safety	<u>3,100</u>	<u>3,100</u>	<u>2,706</u>	<u>(394)</u>
Total expenditures	<u>438,803</u>	<u>438,803</u>	<u>354,455</u>	<u>(84,348)</u>
Excess of revenues over expenditures	8,393	8,393	23,987	32,380
Fund balance - beginning of year	<u>329,823</u>	<u>329,823</u>	<u>329,823</u>	-
Fund balance - end of year	<u>\$ 321,430</u>	<u>\$ 321,430</u>	<u>\$ 353,810</u>	<u>\$ 32,380</u>

See accompanying notes to financial statements

TOWNSHIP OF BRILEY
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FIRE AND AMBULANCE FUND
YEAR ENDED MARCH 31, 2014

	Original Budget	Amended Budget	Actual	Variance From Final Amended Budget
Revenue				
Taxes	\$ 150,000	\$ 150,000	\$ 142,530	\$ 7,470
Expenditures				
Public safety	150,000	150,000	142,530	7,470
Excess of revenues over expenditures	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -

See accompanying notes to financial statement

TOWNSHIP OF BRILEY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ROAD FUND
YEAR ENDED MARCH 31, 2014

	Original Budget	Amended Budget	Actual	Variance From Final Amended Budget
Revenue				
Taxes	\$ 67,933	\$ 67,933	\$ 71,265	\$ 3,332
State revenue sharing	3,900	3,900	3,858	(42)
Charges for services	1,800	1,800	1,719	(81)
Interest income	3,000	3,000	1,327	(1,673)
Total revenue	<u>76,633</u>	<u>76,633</u>	<u>78,169</u>	<u>(1,536)</u>
Expenditure				
Public works	<u>222,000</u>	<u>222,000</u>	<u>68,551</u>	<u>(153,449)</u>
Excess of revenues over expenditures	(145,367)	(145,367)	9,618	154,985
Fund balance - beginning of year	419,120	419,120	419,120	-
Fund balance - end of year	<u><u>\$ 273,753</u></u>	<u><u>\$ 273,753</u></u>	<u><u>\$ 428,738</u></u>	<u><u>\$ 154,985</u></u>

See accompanying notes to financial statements



Miller & Cook, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Richard W. Miller, CPA
Jeffrey B. Cook, CPA

100 West First Street
P.O. Box 962
Gaylord, MI 49734

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

August 18, 2014

To the Township Board
Briley Township
Montmorency County, Michigan

We have audited the financial statements of Briley Township for the year ended March 31, 2014. As required by auditing standards generally accepted in the United States of America, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Auditor's Responsibility under United States General Accepted Auditing Standards

We conducted our audit of the financial statements of Briley Township in accordance with auditing standards generally accepted in the United States of America. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound account policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion of them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance of those which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient, competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at a reasonable cost. That is why an auditor's work is based on selected tests rather than on attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financials are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

Significant Accounting Policies

The significant accounting policies are described in Note 2 of the financial statements.

Other Communications

Auditing standards call for us to inform you of other significant issues such as, but not limited to: 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures performed; 3) Disagreements with management regarding the scope of the audit or application of account principles; 4) Consultation with other accounts; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

Internal Control Matters

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material or material weaknesses.

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

A **material weakness** is a significant deficiency, or combination of significant deficiency, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and,

accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider each of the following significant deficiencies to be a material weakness.

Segregation of Duties

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the administrative staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected in the normal course.

Reporting Financial Data

The above definition of a significant deficiency includes any condition that adversely affects the ability to report financial data in accordance with generally accepted accounting principles (“GAAP”). As a matter of convenience, the Organization has always relied upon its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP. As a consequence, the Organization has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The Organization has committed the resources necessary to meet its internal reporting needs. In this regard, it is not unlike many other organizations of its size.

Summary

This information is intended solely for the use of the Board and Management of Briley Township and is not intended to be and should not be used by anyone other than these specific parties.

We welcome any questions you may have regarding the foregoing comments, and would be happy to discuss any of these or other questions that you might have at your convenience.

Respectfully Yours,

Miller & Cook, LLP