

TOWNSHIP OF BRONSON

FINANCIAL STATEMENTS

For the year ended March 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Township of Bronson
Branch County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Bronson, Branch 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 of Bronson'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, each major fund and the aggregate remaining fund information of the Township of Bronson, Branch, County, Michigan, as of March 31, 2014, and the respective changes in financial position, thereof 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 on pages 3 through 6 and 20 through 21 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Bronson's basic financial statements. The individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Hastings, Michigan
September 23, 2014

Walkn. Fluke # Sheldh. PRC

Management's Discussion and Analysis

As the Township Board of Township of Bronson, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of Township of Bronson for the fiscal year ended March 31, 2014. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Township. We encourage readers to consider this information in conjunction with the letter of transmittal, which begins on page 1, and the financial statements, which begin on page 7.

Financial Highlights

- The assets of Township of Bronson exceeded its liabilities at the close of the most recent fiscal year by \$418,759 (net position) compared to \$392,634 last year. Of this amount, \$361,821 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$26,125 compared to a decrease of \$7,258 last year.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$390,538, an increase of \$27,131 compared to an ending fund balance of \$363,407 the previous year, a decrease of \$6,252.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$361,821 or 278.11% of total general fund expenditures. In 2013, the ending unassigned fund balance for the general fund was \$363,407. This demonstrates the Township's fiscal discipline and places the Township in a strong financial position to meet unexpected emergencies, uncertainties at the State level or the general slowdown of the economy.

Overview of the Financial Statements

Township of Bronson's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Township's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the Township's financial position is improving or deteriorating.

The statement of activities presents information showing how the Township's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., state shared revenue).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include legislative, general government, public safety, public works, recreation and cultural and other.

The government-wide financial statements can be found on pages 7-8 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Township of Bronson, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: government funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Township of Bronson maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the fire fund, which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 9-12 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Township's own programs.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 13-19 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The Township adopts an annual budget for its general fund and fire fund. Within the required supplementary information, a budget comparison statement has been provided for the general and fire funds to demonstrate compliance with the budget.

Required supplementary information can be found on pages 20-21 of this report.

Individual fund statements and schedules are presented immediately following the required supplementary information on budgets on pages 22-25.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Township of Bronson, assets exceeded liabilities by \$418,759 at the close of the most recent fiscal year compared to \$392,634 last year.

A portion of the Township's net position (86.40%) reflects its unrestricted net position (\$361,821), which may be used to meet the government's ongoing obligations to citizens and creditors. An additional portion of the Township's net position (6.85%) reflects restricted net position (\$28,717), which are resources that are subject to external restrictions on how they may be used. The remaining portion of the Township's net position (6.75%) reflects its investment in capital assets (e.g. land, buildings, equipment and furniture and fixtures) (\$28,221). The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Township of Bronson's Condensed Financial Data

	Audited Governmental Activities 3/31/2014	Unaudited Governmental Activities 3/31/2013
Current and Other Assets	\$ 390,538	\$ 363,407
Capital Assets	<u>28,221</u>	<u>29,227</u>
Total Assets	<u>418,759</u>	<u>392,634</u>
Short-Term Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>
Net Position		
Invested in Capital Assets, Net of related debt	28,221	29,227
Restricted for Fire	28,717	-
Unrestricted	<u>361,821</u>	<u>363,407</u>
Total Net Position	<u>\$ 418,759</u>	<u>\$ 392,634</u>
Program Expenses		
Governmental Activities		
Legislative	\$ 4,327	\$ 6,760
General Government	52,811	54,027
Public Safety	26,865	25,362
Public Works	54,646	57,511
Recreation and Culture	8,161	7,376
Other	<u>11,157</u>	<u>10,658</u>
Total Expenses	<u>157,967</u>	<u>161,694</u>
Program Revenues		
Charges for Services	1,150	-
General Revenues		
Property Taxes	69,998	46,084
State Grants	102,132	98,414
Interest and Rents	5,442	5,262
Other Revenue	<u>5,370</u>	<u>4,676</u>
Total Revenue	<u>184,092</u>	<u>154,436</u>
Change in Net Position	<u>\$ 26,125</u>	<u>\$ (7,258)</u>

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental activities.

Governmental activities. Governmental activities increased the Township's net position by \$26,125 mainly due to increased revenues and controlled expenses by the Township board.

For the most part, expenses in the current year were down compared to the prior year due to decreased road expenses. However, property tax and state grant revenues increased from the prior year.

Financial Analysis of the Township's Funds

As noted earlier, the Township used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$390,538 an increase of \$27,131 from the prior year. Last year, the Township's governmental funds combined ending fund balance was \$363,407, a decrease of \$6,252 in comparison with the prior year.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unassigned fund balance of the general fund was \$361,821 and the total fund balance was \$361,821. Unassigned fund balance represents 278.11% of the total general fund expenditures.

The fund balance of the Township's general fund decreased \$1,586 during the current fiscal year, compared to a decrease of \$6,252 in the prior year. This is mainly due to a transfer of property taxes for fire equipment and controlled expenses by the Township board.

General Fund Budgetary Highlights

No adjustments were made between the original budget and the final amended general fund budget.

During the year, however, revenues were more than budgetary estimates, and expenditures were less than budgetary estimates for the general fund.

Capital Assets

The Township's investment in capital assets for its governmental activities as of March 31, 2014, amounts to \$28,221 (net of accumulated depreciation). This investment in capital assets includes: equipment.

No capital asset events occurred during the current fiscal year. Details of the Township's capital assets are continued in the notes to the financial statements on page 18.

Economic Factors and Next Year's Budgets and Rates

Budget assumptions: The state economy has improved slightly over the last year. Employment rates and property values have risen minimally in our area. The Township has seen a very slight increase in revenues as a result, but not enough to keep pace with the rate of inflation.

The primary focus of the Township is to maintain as many roads as financially possible, however with flat revenues and increasing costs, the amount of maintenance road work the Township can afford is severely limited. Improving the paved roads is a goal of the Township but without additional revenue, this is not possible. Seal coating paved roads in the next budget year will continue as funds allow on a "worst-first" basis.

Requests for Information

This financial report is designed to provide a general overview of Township of Bronson's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Clerk, Township of Bronson, 207 N Matteson, Bronson, MI 49028. 517-369-1776.

TOWNSHIP OF BRONSON
GOVERNMENT-WIDE STATEMENT OF NET POSITION
March 31, 2014

	Primary Government	
ASSETS	Governmental	Total
	Activities	
Cash and Cash Equivalents	\$ 121,909	\$ 121,909
Investments	250,000	250,000
Receivables (Net)		
Taxes	4,033	4,033
Due From State	14,596	14,596
Capital Assets (Net of Accumulated Depreciation)	28,221	28,221
 Total Assets	 418,759	 418,759
 LIABILITIES		
Accounts Payable	-	-
 Total Liabilities	 -	 -
 NET POSITION		
Invested in Capital Assets, Net of Related Debt	28,221	28,221
Restricted for Fire	28,717	28,717
Unrestricted	361,821	361,821
 Total Net Position	 \$ 418,759	 \$ 418,759

The Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF BRONSON
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Governmental Activities</u>	<u>Total</u>
Primary Government				
Governmental Activities				
Legislative	\$ 4,327	\$ -	\$ (4,327)	\$ (4,327)
General Government	52,811	150	(52,661)	(52,661)
Public Safety	26,865	-	(26,865)	(26,865)
Public Works	54,646	1,000	(53,646)	(53,646)
Recreation and Culture	8,161	-	(8,161)	(8,161)
Other	<u>11,157</u>	-	<u>(11,157)</u>	<u>(11,157)</u>
Total Governmental Activities	<u>157,967</u>	<u>1,150</u>	<u>(156,817)</u>	<u>(156,817)</u>
 Total Primary Government	 <u>\$ 157,967</u>	 <u>\$ 1,150</u>	 <u>(156,817)</u>	 <u>(156,817)</u>
 General Revenues				
Taxes and Penalties			69,998	69,998
State Grants			102,132	102,132
Interest and Rentals			5,442	5,442
Other Revenue			<u>5,370</u>	<u>5,370</u>
 Total General Revenue			 <u>182,942</u>	 <u>182,942</u>
 Change in Net Position			 26,125	 26,125
 Net Position-Beginning-Restated			 <u>392,634</u>	 <u>392,634</u>
 Net Position-Ending			 <u>\$ 418,759</u>	 <u>\$ 418,759</u>

The Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF BRONSON
GOVERNMENTAL FUNDS BALANCE SHEET
March 31, 2014

ASSETS	General	Fire	Total Governmental
Cash and Cash Equivalents	\$ 121,909	\$ -	\$ 121,909
Investments	250,000	-	250,000
Receivables			
Taxes	2,364	1,669	4,033
Due From State	14,596	-	14,596
Due From Other Funds	-	27,048	27,048
 Total Assets	 \$ 388,869	 \$ 28,717	 \$ 417,586
 LIABILITIES			
Due To Other Funds	\$ 27,048	\$ -	\$ 27,048
 Total Liabilities	 27,048	 -	 27,048
 FUND BALANCE			
Restricted	-	28,717	28,717
Unassigned	361,821	-	361,821
 Total Fund Balances	 361,821	 28,717	 390,538
 Total Liabilities and Fund Balance	 \$ 388,869	 \$ 28,717	 \$ 417,586

The Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF BRONSON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
March 31, 2014

Governmental Fund Balance - March 31, 2014		\$ 390,538
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Governmental capital assets	\$ 40,239	
Less: accumulated depreciation	<u>(12,018)</u>	<u>28,221</u>
Net Position of Governmental Activities		<u>\$ 418,759</u>

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF BRONSON
GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended March 31, 2014**

	<u>General</u>	<u>Fire</u>	<u>Total Governmental</u>
Revenues			
Taxes and Penalties	\$ 41,280	\$ 28,717	\$ 69,997
State Grants	102,132	-	102,132
Charges for Services	150	-	150
Interest and Rentals	5,443	-	5,443
Other Revenue	<u>6,370</u>	<u>-</u>	<u>6,370</u>
Total Revenues	<u>155,375</u>	<u>28,717</u>	<u>184,092</u>
Expenditures			
Legislative	4,327	-	4,327
General Government	51,805	-	51,805
Public Safety	-	26,865	26,865
Public Works	54,646	-	54,646
Recreation and Culture	8,161	-	8,161
Other	<u>11,157</u>	<u>-</u>	<u>11,157</u>
Total Expenditures	<u>130,096</u>	<u>26,865</u>	<u>156,961</u>
Excess of Revenues Over (Under) Expenditures	<u>25,279</u>	<u>1,852</u>	<u>27,131</u>
Other Financing Sources (Uses)			
Operating Transfers In	-	26,865	26,865
Operating Transfers (Out)	<u>(26,865)</u>	<u>-</u>	<u>(26,865)</u>
Total Other Financing Sources (Uses)	<u>(26,865)</u>	<u>26,865</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,586)	28,717	27,131
Fund Balance-April 1, 2013-Restated	<u>363,407</u>	<u>-</u>	<u>363,407</u>
Fund Balance-March 31, 2014	<u>\$ 361,821</u>	<u>\$ 28,717</u>	<u>\$ 390,538</u>

The Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF BRONSON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2014

Net Change in Fund Balances - Total Governmental Funds **\$ 27,131**

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives

Expenditures for capital assets	\$ -	
Less: Current year depreciation	<u>(1,006)</u>	<u>(1,006)</u>

Change in Net Position of Governmental Activities \$ 26,125

TOWNSHIP OF BRONSON
NOTES TO FINANCIAL STATEMENTS
March 31, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

Township of Bronson is located in Branch County, Michigan. The Township operates under an elected board of five members and provides services to residents in many areas including roads, fire protection, and general government services. Education services are provided to citizens through several local school districts, which are separate governmental entities.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Township's financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds).

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

The statement of net position includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net position is reported in three parts: invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual; therefore, they have been recognized as revenue in the current fiscal period. All other revenues are considered to be measurable only when the Township receives cash.

TOWNSHIP OF BRONSON
NOTES TO FINANCIAL STATEMENTS
March 31, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxes Receivable - The Township property tax is levied on each December 1st based on the taxable valuation of property located in the Township as of the preceding December 31st. These taxes are due on February 28th. After that date, they are added to the county delinquent tax rolls.

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

The 2013 State taxable valuation of the Township totaled \$36,999,369 on which ad valorem taxes levied consisted of .8715 mills for Township operating purposes and .7947 mills for fire, raising \$31,600 and \$28,718, respectively.

The Township reports the following major governmental funds:

- The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.
- The Fire Fund provides for proceeds of specific revenue tax millages that are legally restricted to expenditures for specified purposes.

Additionally, the government reports the following fiduciary fund types:

- The Trust and Agency Fund accounts for the assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The tax collection fund is the Township's only Trust and Agency Fund.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided. Intentionally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

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

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

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st based on the taxable valuation of property located in the Township as of the preceding December 31st. These taxes are due on February 28th. After that date, they are added to the county's delinquent tax rolls.

The delinquent real property taxes of the Township are purchased by Branch County. The County sells tax notes and the proceeds are used to pay the Township for these property taxes. The Township receives its settlement of delinquent property taxes from Branch County within the sixty-day period and therefore recognizes the revenue as current year property tax revenue.

TOWNSHIP OF BRONSON
NOTES TO FINANCIAL STATEMENTS
March 31, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (Continued)

Restricted Net Position/Fund Balances - The Township has restrictions for fire. By restricting a portion of fund balance for a specific purpose, the Township Board has established a policy that the amounts restricted are to be used for a specific purpose. The Township Board cannot change the amounts restricted and cannot spend the restricted funds for any other purpose than fire.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

<u>General Assets</u>	
Buildings	30 to 40 years
Building Improvements	15 to 30 years
Infrastructure	10 to 30 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Fund Equity - In March 2009 the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-Type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications - nonspendable, restricted, committed, assigned, and unassigned.

In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.
- **Committed:** Amounts that have been formally set aside by the board for use for specific purposes. Commitments are made and can be rescinded only via resolution of the board.
- **Assigned:** Intent to spend resources on specific purposes expressed by the board, or the director, who is authorized by resolution approved by the board to make assignments.
- **Unassigned:** All other amounts available for any purpose.

Restricted/Unrestricted Resources - When expenses are incurred for which both restricted and unrestricted resources are available, it is the Township's policy to first apply restricted resources. Once restricted resources are exhausted, the Township's policy is to apply unrestricted resources in the following order: committed, assigned, and unassigned.

ENCUMBRANCE ACCOUNTING

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by Township of Bronson.

**TOWNSHIP OF BRONSON
NOTES TO FINANCIAL STATEMENTS
March 31, 2014**

USE OF ESTIMATES

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

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets were adopted for all required governmental fund types. The Township Boards prepares the annual budgets prior to March 31. A Public Hearing is conducted to obtain taxpayers' comments. The budget documents present information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

During the year ended March 31, 2014, the Township incurred expenditures in certain budgeted funds, which were in the excess of the amounts appropriated, as follows:

<u>FUND</u>	<u>BUDGET APPROPRIATION</u>	<u>ACTUAL EXPENDITURE</u>	<u>BUDGET VARIANCE</u>
General			
General Government			
Board of Review	\$ 550	\$ 896	\$ 346
Treasurer	\$ 14,100	\$ 15,681	\$ 1,581
Operating Transfers Out	\$ -	\$ 26,865	\$ 26,865
Fire			
Public Safety			
Contracted Services	\$ 26,500	\$ 26,865	\$ 365

DEPOSITS AND INVESTMENTS

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

The Township has designated one bank for the deposit of Township of Bronson funds.

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

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

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>TOTAL PRIMARY GOVERNMENT</u>
Cash and Cash Equivalents	\$ 121,909	\$ 121,909
Investments	250,000	250,000
Total	<u>\$ 371,909</u>	<u>\$ 371,909</u>

**TOWNSHIP OF BRONSON
NOTES TO FINANCIAL STATEMENTS
March 31, 2014**

DEPOSITS AND INVESTMENTS (Continued)

The breakdown between deposits and investments is:

	TOTAL PRIMARY GOVERNMENT
Cash and Cash Equivalents (Checking and Savings Accounts, Certificates of Deposit)	\$ 371,909
Investment in Securities (Mutual Funds and Similar Vehicles)	-
Petty Cash and Cash on Hand	-
Total	\$ 371,909

Custodial credit risk is the risk that the Township will not be able to recover its deposits in the event of financial institution failure. The Township's deposits are exposed to the custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2014, the Township has deposits with a carrying amount of \$371,909 and a bank balance of \$373,176. Of the bank balance, \$250,053 is covered by federal depository insurance and \$123,122 is uninsured and \$0 is collateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of the FDIC and SIPC insurance it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances is as follows:

FUND	INTERFUND RECEIVABLES	FUND	INTERFUND PAYABLES
Fire	\$ 27,048	General	\$ 27,048
Total	\$ 27,048		\$ 27,048
FUND	TRANSFERS IN	FUND	TRANSFERS OUT
Fire	\$ 26,865	General	\$ 26,865
Total	\$ 26,865		\$ 26,865

The interfund receivables and payables represent final settlement money owed to the Fire Fund for taxes collected in the General Fund. Transfers were used to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with board intentions.

TOWNSHIP OF BRONSON
NOTES TO FINANCIAL STATEMENTS
March 31, 2014

CAPITAL ASSETS

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

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
Governmental Activities				
Capital Assets Being Depreciated				
Equipment	\$ 40,239	-	-	\$ 40,239
Subtotal	<u>40,239</u>	<u>-</u>	<u>-</u>	<u>40,239</u>
Less Accumulated Depreciation for				
Equipment	11,012	1,006	-	12,018
Subtotal	<u>11,012</u>	<u>1,006</u>	<u>-</u>	<u>12,018</u>
Net Capital Assets Being Depreciated	<u>29,227</u>	<u>(1,006)</u>	<u>-</u>	<u>28,221</u>
Governmental Activities Total Capital Assets-Net of Depreciation	<u>\$ 29,227</u>	<u>\$ (1,006)</u>	<u>\$ -</u>	<u>\$ 28,221</u>

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

Governmental Activities	
General Government	\$ 1,006
Total Governmental Activities	<u>\$ 1,006</u>

DEFINED CONTRIBUTION PLAN

The Township contributes to a defined contribution pension plan for its eligible employees. John Hancock holds the participants' accounts in individual "guaranteed accounts".

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 a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeiture of other participants' benefits that may be allocated to such participant's account. The pension plan is available to all members of the township board. Contributions by the Township vest immediately. The Township contributes 100% of the premium or charges arising under the pension contract.

During the year, the Township's required and actual contributions amounted to \$8,875, which was 25% of its current-year covered payroll of \$35,350. The total fiscal year payroll was \$36,205.

**TOWNSHIP OF BRONSON
NOTES TO FINANCIAL STATEMENTS
March 31, 2014**

RISK MANAGEMENT

The Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township manages its risk exposure and provides certain employee benefits through commercial insurance.

At March 31, 2014, there were no claims, which exceeded insurance coverage. The Township had no significant reduction in insurance coverage from previous years.

ACCOUNTING PRONOUNCEMENTS

GASB issued Statement No. 67, *Financial Reporting for Pension Plans*. This standard will establish accounting and financial reporting requirements related to defined benefit and defined contribution pension plans. The statement will be effective in 2015 and the Township will evaluate this impact on their financial statements.

GASB issued Statement No. 68, *Accounting and Financial Reporting for Pension Plans*. This standard will establish accounting and financial reporting requirements related to a "net pension liability" for the unfunded portion of its pension plan. The statement will be effective in 2015 and the Township will evaluate this impact on their financial statements.

GASB issued Statement No. 69, *Government Combinations and Disposal of Government Operations*. This standard will establish accounting and financial reporting requirements for various types of government combinations. The statement will be effective in 2015. The Township does not expect this to have any impact due to the infrequent nature.

GASB issued Statement No. 70, *Nonexchange Financial Disclosures*. This standard will establish accounting for situations where one government offers a financial guarantee for another organization. The statement will be effective in 2015. The Township does not expect this to have any impact due to the infrequent nature.

PRIOR PERIOD ADJUSTMENT

A certain error, resulting in the understatement of fund balance and net position in the prior year, was corrected during the March 31, 2014 audit. The cumulative effect on fund balance and net position from this error is as follows:

	PRIMARY GOVERNMENT	
	GENERAL FUND	GOVERNMENTAL ACTIVITIES
Fund Balance at March 31, 2013, as previously reported	\$ 345,485	
Net Position at March 31, 2013, as previously reported		\$ 374,712
March 31, 2013, taxes receivable not recorded	2,795	2,795
March 31, 2013, due from state not recorded	15,127	15,127
Fund Balance at March 31, 2013, as restated	<u>\$ 363,407</u>	
Net Position at March 31, 2013, as restated		<u>\$ 392,634</u>

TOWNSHIP OF BRONSON
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended March 31, 2014

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance-Restated	\$ 363,407	\$ 363,407	\$ 363,407	\$ -
Resources (Inflows)				
Taxes and Penalties	42,500	42,500	41,280	(1,220)
State Grants	98,375	98,375	102,132	3,757
Charges for Services	600	600	150	(450)
Interest and Rentals	5,025	5,025	5,443	418
Other Revenue	<u>3,600</u>	<u>3,600</u>	<u>6,370</u>	<u>2,770</u>
Total Resources	<u>150,100</u>	<u>150,100</u>	<u>155,375</u>	<u>5,275</u>
Charges to Appropriations (Outflows)				
Legislative	4,475	4,475	4,327	148
General Government				
Supervisor	9,100	9,100	9,000	100
Clerk	10,750	10,750	10,634	116
Board of Review	550	550	896	(346)
Treasurer	14,100	14,100	15,681	(1,581)
Assessor	10,700	10,700	10,659	41
Elections	1,450	1,450	635	815
Buildings and Grounds	1,800	1,800	1,500	300
Cemetery	4,000	4,000	2,800	1,200
Public Works				
Highway and Streets	60,500	60,500	52,213	8,287
Drains	3,500	3,500	1,231	2,269
Sanitation - Transfer Station	2,400	2,400	1,202	1,198
Recreation and Culture				
Library	16,650	16,650	8,161	8,489
Other				
Insurance, Bonds, Dues and Fringes	<u>11,625</u>	<u>11,625</u>	<u>11,157</u>	<u>468</u>
Total Charges to Appropriations	<u>151,600</u>	<u>151,600</u>	<u>130,096</u>	<u>21,504</u>
Excess of Resources Over (Under) Appropriations	<u>(1,500)</u>	<u>(1,500)</u>	<u>25,279</u>	<u>26,779</u>
Other Financing Sources (Uses)				
Operating Transfers Out	<u>-</u>	<u>-</u>	<u>(26,865)</u>	<u>(26,865)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(26,865)</u>	<u>(26,865)</u>
Excess of Resources and Other Sources Over (Under) Appropriations and Other Uses	<u>(1,500)</u>	<u>(1,500)</u>	<u>(1,586)</u>	<u>(86)</u>
Budgetary Fund Balance - March 31, 2014	<u>\$ 361,907</u>	<u>\$ 361,907</u>	<u>\$ 361,821</u>	<u>\$ (86)</u>

**TOWNSHIP OF BRONSON
BUDGETARY COMPARISON SCHEDULE - FIRE FUND
For the Year Ended March 31, 2014**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ -	\$ -	\$ -	\$ -
Resources (Inflows)				
Taxes and Penalties	<u>28,000</u>	<u>28,000</u>	<u>28,717</u>	<u>717</u>
Total Resources	<u>28,000</u>	<u>28,000</u>	<u>28,717</u>	<u>717</u>
Charges to Appropriations (Outflows)				
Public Safety				
Contracted Services	<u>26,500</u>	<u>26,500</u>	<u>26,865</u>	<u>(365)</u>
Total Charges to Appropriations	<u>26,500</u>	<u>26,500</u>	<u>26,865</u>	<u>(365)</u>
Excess of Resources Over (Under) Appropriations	<u>1,500</u>	<u>1,500</u>	<u>1,852</u>	<u>352</u>
Other Financing Sources (Uses)				
Operating Transfers In	<u>-</u>	<u>-</u>	<u>26,865</u>	<u>26,865</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>26,865</u>	<u>26,865</u>
Excess of Revenues and Other Sources Over (Under) Appropriations and Other Uses	<u>1,500</u>	<u>1,500</u>	<u>28,717</u>	<u>27,217</u>
Budgetary Fund Balance - March 31, 2014	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ 28,717</u>	<u>\$ 27,217</u>

TOWNSHIP OF BRONSON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended March 31, 2014

<u>REVENUES</u>	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Taxes and Penalties:				
Property Taxes			\$ 29,862	
Delinquent Property Taxes			1,738	
Collection Fees			9,680	
Total Taxes and Penalties	\$ 42,500	\$ 42,500	<u>41,280</u>	\$ (1,220)
State Grants:				
State Revenue Sharing:				
Sales Tax			99,752	
Other			2,380	
Total State Grants	98,375	98,375	<u>102,132</u>	3,757
Charges for Services:				
Zoning Board Fees			150	
Total Charges for Services	600	600	<u>150</u>	(450)
Interest and Rentals:				
Interest			5,442	
Total Interest and Rentals	5,025	5,025	<u>5,442</u>	417
Other Revenue:				
Special Assessments			1,000	
Miscellaneous			5,370	
Total Other Revenue	<u>3,600</u>	<u>3,600</u>	<u>6,370</u>	<u>2,770</u>
Total Revenues	<u>150,100</u>	<u>150,100</u>	<u>155,374</u>	<u>5,274</u>

TOWNSHIP OF BRONSON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
For the Year Ended March 31, 2014

<u>EXPENDITURES</u>	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Legislative:				
Township Board:				
Salaries			3,350	
Membership Dues			739	
Printing and Publishing			210	
Miscellaneous			28	
Total Legislative	4,475	4,475	4,327	148
General Government:				
Supervisor:				
Salary			9,000	
Total Supervisor	9,100	9,100	9,000	100
Clerk:				
Salary			10,500	
Supplies			134	
Total Clerk	10,750	10,750	10,634	116
Board of Review:				
Salary			855	
Printing and Publishing			41	
Total Board of Review	550	550	896	(346)
Treasurer:				
Salary			12,500	
Supplies			3,181	
Total Treasurer	14,100	14,100	15,681	(1,581)
Assessor:				
Supplies			1,106	
Contracted Services			9,553	
Total Assessor	10,700	10,700	10,659	41

TOWNSHIP OF BRONSON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
For the Year Ended March 31, 2014

<u>EXPENDITURES (Continued)</u>	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
General Government (Continued)				
Elections:				
Supplies			364	
Miscellaneous			271	
Total Elections	1,450	1,450	<u>635</u>	815
Buildings and Grounds:				
Utilities			1,000	
Miscellaneous			500	
Total Building and Grounds	1,800	1,800	<u>1,500</u>	300
Cemetery:				
Contracted Services			2,800	
Total Cemetery	<u>4,000</u>	<u>4,000</u>	<u>2,800</u>	<u>1,200</u>
Total General Government	<u>52,450</u>	<u>52,450</u>	<u>51,805</u>	<u>645</u>
Public Works:				
Highways and Streets:				
Contracted Services			52,213	
Total Highway and Streets	60,500	60,500	<u>52,213</u>	8,287
Drains:				
Contracted Services			1,231	
Total Drains	3,500	3,500	<u>1,231</u>	2,269
Sanitation - Transfer Station:				
Contracted Services			1,202	
Total Sanitation - Transfer Station	<u>2,400</u>	<u>2,400</u>	<u>1,202</u>	<u>1,198</u>
Total Public Works	<u>66,400</u>	<u>66,400</u>	<u>54,646</u>	<u>11,754</u>

TOWNSHIP OF BRONSON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
For the Year Ended March 31, 2014

<u>EXPENDITURES (Continued)</u>	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Recreation and Culture:				
Library:				
Contracted Services			4,041	
Insurance and Maintenance			4,120	
Total Library	<u>16,650</u>	<u>16,650</u>	<u>8,161</u>	<u>8,489</u>
Total Recreation and Culture	<u>16,650</u>	<u>16,650</u>	<u>8,161</u>	<u>8,489</u>
Other:				
Payroll Taxes			500	
Retirement			10,398	
Insurance and Bonds			259	
Total Other	<u>11,625</u>	<u>11,625</u>	<u>11,157</u>	<u>468</u>
Total Expenditures	<u>151,600</u>	<u>151,600</u>	<u>130,096</u>	<u>21,504</u>
Excess of Revenues Over Expenditures	<u>(1,500)</u>	<u>(1,500)</u>	<u>25,279</u>	<u>26,779</u>
Other Financing Sources (Uses)				
Operating Transfers (Out)	<u>-</u>	<u>-</u>	<u>(26,865)</u>	<u>(26,865)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(26,865)</u>	<u>(26,865)</u>
Excess of Revenues and Other Sources Over (Under) Appropriations and Other Uses	<u>(1,500)</u>	<u>(1,500)</u>	<u>(1,586)</u>	<u>(86)</u>
Fund Balance-April 1, 2013-Restated	<u>363,407</u>	<u>363,407</u>	<u>363,407</u>	<u>-</u>
Fund Balance-March 31, 2014	<u>\$ 360,407</u>	<u>\$ 360,407</u>	<u>\$ 361,821</u>	<u>\$ 1,414</u>



WALKER, FLUKE & SHELDON, PLC

CERTIFIED PUBLIC ACCOUNTANTS

Building Trust, Delivering Integrity, One Handshake at a Time

To the Township Board
Township of Bronson
Branch County, Michigan

We have recently completed our audit of the basic financial statements of Township of Bronson for the year ended March 31, 2014. As an addition to the audit report, the following report on internal control and results of the audit are being provided to Township of Bronson.

	<u>Page</u>
Report on Internal Control	2
Results of the Audit	3 - 4
Audit Difference Evaluation Form	5

We are very thankful for the opportunity to be of service to Township of Bronson. Should you have any questions regarding these reports, please do not hesitate to contact us.

Hastings, Michigan
September 23, 2014

Walker, Fluke & Sheldon PLC



WALKER, FLUKE & SHELDON, PLC

CERTIFIED PUBLIC ACCOUNTANTS

Building Trust, Delivering Integrity, One Handshake at a Time

To the Township Board
Township of Bronson
Branch County, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Township of Bronson 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 Township of Bronson'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 Township of Bronson's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of Bronson'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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in internal control to be material weaknesses:

- During the course of the audit, it was noted that the financial reporting for receivables in the prior year were understated. A prior period adjustment has been made to adjust net position, fund balances and proper disclosures has been included in the notes to the financial statements.
- The Township does not have the technical expertise to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, changes in capital assets, and to present required financial statement disclosures. Currently, the Township contracts with Walker, Fluke & Sheldon, PLC to prepare the financial statements and assist with accrual entries, because the additional benefits derived from implementing a system, would not outweigh the costs incurred.

A significant deficiency is a deficiency, or 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.

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

Walker, Fluke & Sheldon, PLC

Walker Fluke & Sheldon PLC
Hastings, MI
September 23, 2014

September 23, 2014

To the Township Board
Township of Bronson
Branch County, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Township of Bronson for the year ended March 31, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 25, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Township of Bronson are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended March 31, 2014. We noted no transactions entered into by Township of Bronson during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Township of Bronson's estimate of depreciation is based on estimated useful lives of capital assets. We evaluated these estimates used to calculate depreciation and believe they are reasonable in relation to the financial statements taken as a whole.

The financial statements disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The following material misstatements detected as a result of audit procedures were corrected by management: Revenues and expenditures for fire protection were removed from the general fund and recorded in a separate fund, beginning fund balances were adjusted, certain revenue mispostings were reclassified, and accruals were made.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 23, 2014.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Township of Bronson of Branch County, Michigan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention. During the course of the audit, certain items came to our attention which requires further comment.

The Township does not have all the suggested written policies and procedures. While not required by a specific statute, there are various policies and procedures such as a fund balance policy, conflict of interest policy, capital asset and depreciation policy the Board should adopt to implement sound accounting procedures.

Other Matters

We applied certain limited procedures to the management discussion and analyses and budgetary reports, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on individual financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restrictions on Use

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

Very truly yours,

Walker, Fluke & Sheldon, PLLC