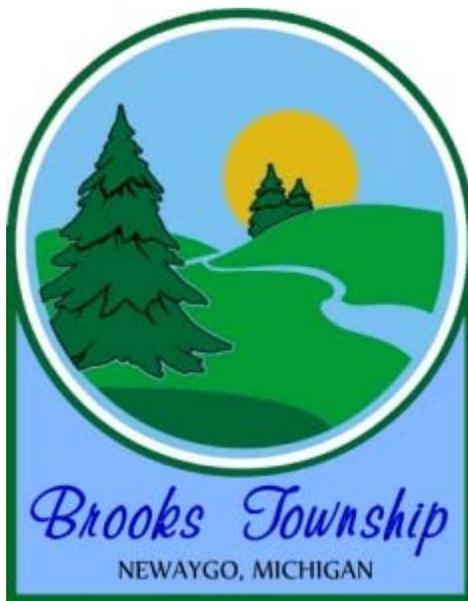


Brooks Township
Newaygo County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended March 31, 2014



Brooks Township

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As management of Brooks Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of Brooks Township for the fiscal year ended March 31, 2014. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

FINANCIAL HIGHLIGHTS

The Township's General Fund balance increased by \$94,472. This was due mostly to collecting more revenue than anticipated and fewer road projects than anticipated. Overall, we collected revenues of \$11,358 more than anticipated.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. Brooks Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the 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 the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

The Statement of Net Position presents information on all of the Township's assets/deferred outflows of resources and liabilities/deferred inflows of resources, 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 financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net position changed during the fiscal year. All changes in net position are reported when the 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 the future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant portion of their costs through user fees and charges for services (business-type activities). The governmental activities of Brooks Township include general government, public works, community and economic development, and culture and recreation activities. The Township does not currently have any business-type activities.

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. Brooks Township, 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-governmental 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 current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-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 short-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 the two.

Brooks Township 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 Improvement Revolving Fund, which are considered major funds.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the government-wide financial statements.

Notes to 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 reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budgetary information as it relates to the actual revenues and expenditures for the Township's major funds.

Government-wide Financial Analysis

The first table presented below is a summary of the government-wide Statement of Net Position for Brooks Township for the last two years. Current assets increased along with an increase in unrestricted net position due to collecting more revenue than anticipated and completing fewer road projects and incurring fewer legal fees than anticipated. The Township's net position from governmental activities totaled \$2,222,367. In examining the composition of net position, the reader should note that governmental activities includes net position that is invested in capital assets (i.e., buildings, land, office equipment, etc.) These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The amount of net position invested in capital assets totaled \$1,119,230. The unrestricted net position for governmental-type activities actually depict a balance of \$1,103,137. This represents the amount of discretionary resources that can be used for general governmental operations.

Net Position

	Governmental Activities 2014	Governmental Activities 2013
Current assets and other assets	\$ 1,117,421	\$ 1,017,945
Capital assets	1,119,230	1,126,376
Total assets	<u>2,236,651</u>	<u>2,144,321</u>
Current liabilities	<u>14,284</u>	<u>9,728</u>
Net position		
Net investment in capital assets	1,119,230	1,126,376
Unrestricted	1,103,137	1,008,217
Total net position	<u>\$ 2,222,367</u>	<u>\$ 2,134,593</u>

Governmental Activities

Governmental activities net position increased by \$87,774 during the 2014 fiscal year. With all of the Township's governmental operations combined, the net result was that its operating revenues exceeded its operating expenses, resulting in an increase in net position. Property taxes revenues remained flat and investment earnings decreased slightly, while state revenue sharing increased. Public works expenses increased slightly due to additional road repairs. Community and economic development expenses decreased due to non-recurring master plan work being done in the prior year.

Change in Net Position

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
Revenues		
Program revenues		
Charges for services	\$ 71,856	\$ 67,631
Capital grants and contributions	-	137
General revenues		
Property taxes	98,402	99,162
Franchise fees	36,575	33,836
Grant and contributions not restricted	266,424	259,253
Unrestricted investment earning	3,576	3,746
Miscellaneous	5,098	10,222
Total revenues	<u>481,931</u>	<u>473,987</u>
Expenses		
General government	215,549	218,084
Public works	154,750	143,930
Community and economic development	23,304	50,869
Culture and recreation	554	818
Total expenses	<u>394,157</u>	<u>413,701</u>
Change in net position	87,774	60,286
Net position - Beginning	<u>2,134,593</u>	<u>2,074,307</u>
Net position - Ending	<u>\$ 2,222,367</u>	<u>\$ 2,134,593</u>

Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, Brooks Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The General Fund had an increase in fund balance of \$94,472 mainly due to higher revenue sharing and a decrease in road projects previously discussed.

Brooks Township

Management's Discussion and Analysis

General Fund Budget

During the current fiscal year, the Township made no budget amendments. The Township had variances when comparing actual activities to the final amended budget as follows.

- License and permits were greater than budgeted due to issuing more permits than anticipated.
- State Revenue Sharing was greater than budgeted primarily because funding was greater than anticipated.
- Public Works Expenditures came in significantly under budget due to not completing a planned road project.
- Capital Outlay Expenditures was significantly under budget as originally anticipated roof replacement was not needed.

Capital Assets

Brooks Township investment in capital assets for its governmental activities as of March 31, 2014 totaled \$1,119,230 (net of accumulated depreciation). There were no significant fixed asset additions during the year. This investment in capital assets includes land, buildings, land improvements, and office equipment.

Capital Assets (Net of Accumulated Depreciation)

	2014	2013
Land	\$ 982,959	\$ 982,959
Land improvements	3,931	4,488
Buildings and improvements	132,340	138,187
Furniture and equipment	-	742
Total	<u>\$ 1,119,230</u>	<u>\$ 1,126,376</u>

Additional information on the Township's capital assets can be found in Note D of the "Notes to Financial Statements" of this report.

General Economic Overview

The Township's 2014 General Fund budget anticipates an increase in fund balance of \$6,225. The Township expects property tax revenues to increase slightly and state revenue sharing to increase slightly while expenditures are expected to remain the same.

Requests for Information

This financial report is designed to provide a general overview of Brooks Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Brooks Township, P.O. Box 625, Newaygo, MI 49337, (231) 652-6763.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

May 20, 2014

Township Board
Brooks Township
Newaygo, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brooks Township, 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.

Auditors' 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.

Township Board
Brooks Township
May 20, 2014
Page 2

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 Brooks Township, Michigan, as of March 31, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages i - v and 20 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.



Muskegon, Michigan

Brooks Township
STATEMENT OF NET POSITION
 March 31, 2014

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and investments	\$ 939,653
Receivables	9,569
Due from other governmental units	<u>168,199</u>
Total current assets	1,117,421
Noncurrent assets	
Capital assets, net	
Nondepreciable	982,959
Depreciable	<u>136,271</u>
Total noncurrent assets	<u>1,119,230</u>
Total assets	2,236,651
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	<u>14,284</u>
NET POSITION	
Net investment in capital assets	1,119,230
Unrestricted	<u>1,103,137</u>
Total net position	<u><u>\$ 2,222,367</u></u>

The accompanying notes are an integral part of this statement.

Brooks Township
STATEMENT OF ACTIVITIES
For the year ended March 31, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
Governmental activities			
General government	\$ 215,549	\$ 63,382	\$ (152,167)
Public works	154,750	3,125	(151,625)
Community and economic development	23,304	5,349	(17,955)
Culture and recreation	554	-	(554)
Total governmental activities	<u>\$ 394,157</u>	<u>\$ 71,856</u>	(322,301)
General revenues			
Property taxes			98,402
Franchise fees			36,575
State shared revenue			266,424
Unrestricted investment earnings			3,576
Miscellaneous			5,098
Total general revenues			<u>410,075</u>
Change in net position			87,774
Net position at April 1, 2013			<u>2,134,593</u>
Net position at March 31, 2014			<u>\$ 2,222,367</u>

The accompanying notes are an integral part of this statement.

Brooks Township
BALANCE SHEET
 Governmental Funds
 March 31, 2014

	General Fund	Improvement Revolving Fund	Total Governmental Funds
ASSETS			
Cash and investments	\$ 836,173	\$ 103,480	\$ 939,653
Property taxes receivable	9,569	-	9,569
Due from other governmental units	168,199	-	168,199
Total assets	\$ 1,013,941	\$ 103,480	\$ 1,117,421
LIABILITIES			
Accounts payable	\$ 3,945	\$ -	\$ 3,945
Accrued liabilities	10,339	-	10,339
Total liabilities	14,284	-	14,284
FUND BALANCES			
Nonspendable - long-term loans receivable from other governmental unit	122,441	-	122,441
Committed for capital outlay	-	103,480	103,480
Unassigned	877,216	-	877,216
Total fund balances	999,657	103,480	1,103,137
Total liabilities and fund balances	\$ 1,013,941	\$ 103,480	\$ 1,117,421

The accompanying notes are an integral part of this statement.

Brooks Township
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION**
 March 31, 2014

Total fund balance—governmental funds	\$ 1,103,137
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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, are not reported in the governmental funds.

Cost of capital assets	\$1,235,961	
Accumulated depreciation	<u>(116,731)</u>	<u>1,119,230</u>
Net position of governmental activities		<u><u>\$ 2,222,367</u></u>

The accompanying notes are an integral part of this statement.

Brooks Township
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Governmental Funds
 For the year ended March 31, 2014

	General Fund	Improvement Revolving Fund	Total Governmental Funds
REVENUES			
Property taxes	\$ 98,402	\$ -	\$ 98,402
Licenses and permits	41,360	-	41,360
Intergovernmental revenues			
State	266,424	-	266,424
Local	3,125	-	3,125
Charges for services	63,382	-	63,382
Fines and forfeitures	564	-	564
Investment earnings	3,128	448	3,576
Other	5,098	-	5,098
	<hr/>		
Total revenues	481,483	448	481,931
EXPENDITURES			
Current			
General government	208,403	-	208,403
Public works	154,750	-	154,750
Community and economic development	23,304	-	23,304
Culture and recreation	554	-	554
	<hr/>		
Total expenditures	387,011	-	387,011
	<hr/>		
Net change in fund balances	94,472	448	94,920
Fund balances at April 1, 2013	905,185	103,032	1,008,217
	<hr/>		
Fund balances at March 31, 2014	\$ 999,657	\$ 103,480	\$ 1,103,137
	<hr/> <hr/>		

The accompanying notes are an integral part of this statement.

Brooks Township
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES**
For the year ended March 31, 2014

Net change in fund balances—total governmental funds	\$ 94,920
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	<u>(7,146)</u>
Change in net position of governmental activities	<u><u>\$ 87,774</u></u>

The accompanying notes are an integral part of this statement.

Brooks Township
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
Fiduciary Funds
March 31, 2014

	<u>Agency Fund</u>
ASSETS	
Cash and investments	\$ <u> -</u>
LIABILITIES	
Due to other governmental units	\$ <u> -</u>

The accompanying notes are an integral part of this statement.

Brooks Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2014

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Township is a common law township governed by an elected five-member board. Generally accepted accounting principles require that if the Township is considered to be financially accountable for other organizations, those organizations should be included as component units in the Township's financial statements. Since no organizations met this criteria, none are included in the financial statements.

Basis of Presentation—Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the Township. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. The Township has no business-type activities.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The fund financial statements provide information about the Township's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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.

The Improvement Revolving Fund is a capital projects fund used to accumulate assets for infrastructure projects.

Additionally, the Township reports the following fund type:

The Agency Fund accounts for assets held by the Township on behalf of others in a fiduciary capacity.

Brooks Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2014

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Basis of Presentation—Government-wide and Fund Financial Statements—Continued

During the course of operations the Township has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Brooks Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2014

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the Township are reported at fair value (generally based on quoted market prices).

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

As the Township constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other property and equipment of the Township are depreciated or amortized using the straight-line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Years</u>
Land improvements	20
Buildings and improvements	20-50
Furniture and equipment	5-10

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then.

Brooks Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2014

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Deferred Outflows/Inflows of Resources—Continued

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts of net position to report as restricted and unrestricted in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

Sometimes the Township will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitation on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Township's highest level of decision-making authority. The Township Board is the highest level of decision-making authority for the Township that can, by formal action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by formal action remains in place until a similar action is taken (another formal action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as committed. The Township Board or a body or official to which the Township Board has delegated authority to may assign fund balances. The Township Board may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Brooks Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2014

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollected real property taxes as of the following March 1 are turned over by the Township to the County for collection. The County advances the Township all of these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. 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 value for real/personal property of the Township totaled approximately \$124,492,000. The ad valorem taxes levied consisted of .7806 mills for the Township's operating purposes. This amount is recognized in the General Fund.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

The appropriated budget is prepared by fund, function and department. The Township's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Commission. The legal level of budgetary control is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year.

Excess of Expenditures over Appropriations

During the year ended March 31, 2014, actual expenditures exceeded appropriations for the Township Hall Department by \$4,104 in the General Fund. These overexpenditures were funded with available fund balance.

Brooks Township
NOTES TO FINANCIAL STATEMENTS
 March 31, 2014

NOTE C—DEPOSITS AND INVESTMENTS

As of March 31, 2014, the Township had the following investments:

Investment Type	Fair value	Weighted Average Maturity (Months)	Moody's	Percent
Money market mutual fund	\$ 330,298	1	not rated	53.87 %
Negotiable certificates of deposit	184,000	15	not rated	30.01
U.S. Federal Home Loan bonds	<u>98,805</u>	2	AAA	<u>16.12</u>
Total fair value	<u>\$ 613,103</u>			<u>100.00 %</u>
Portfolio weighted average maturity		<u>5</u>		

Deposit and Investment Risks

Interest Rate Risk

The Township investments policy limits investment maturities to three years. This policy is used as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

The Township does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Township investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The Township has more than 5 percent of its investments in the following securities:

Security	Percent of Total Investments
Independent Bank Money Market Mutual Fund	50.2%
Certificate of Deposit - Fifth Third	17.6%
Certificate of Deposit - Commerica	8.8%
Certificate of Deposit - JP Morgan Chase	6.0%
U.S. Federal Home Loan bonds	17.4%

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2014, the Township's bank balance of \$332,273 was not subject to custodian credit risk because it was fully insured.

Brooks Township
NOTES TO FINANCIAL STATEMENTS
 March 31, 2014

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Deposit and Investment Risks—Continued

Custodial Credit Risk - Investments

The Township does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign Currency Risk

The Township is not authorized to invest in investments which have this type of risk.

NOTE D—CAPITAL ASSETS

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

	Balance April 1, 2013	Additions	Deductions	Balance March 31, 2014
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 982,959	\$ -	\$ -	\$ 982,959
Capital assets, being depreciated:				
Land improvements	11,311	-	-	11,311
Buildings and improvements	201,204	-	-	201,204
Furniture and equipment	40,487	-	-	40,487
Total capital assets, being depreciated	253,002	-	-	253,002
Less accumulated depreciation:				
Land improvements	6,823	557	-	7,380
Buildings and improvements	63,017	5,847	-	68,864
Furniture and equipment	39,745	742	-	40,487
Total accumulated depreciation	109,585	7,146	-	116,731
Total capital assets, being depreciated, net	143,417	(7,146)	-	136,271
Capital assets, net	\$ 1,126,376	\$ (7,146)	\$ -	\$ 1,119,230

Depreciation

Depreciation expense was charged to the general government function.

Brooks Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2014

NOTE E—OTHER INFORMATION

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township manages its liability and property risk by participating in the Michigan Township Participation Plan (MTPP), a public entity risk pool providing property and liability coverage to its participating members. The Township pays an annual premium to MTPP for its insurance coverage. The MTPP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

The Township is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Township's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Township.

Jointly Governed Entity

The Township is a member of the Chain of Lakes Area Utilities Authority (Authority). The Township appoints two members to the Authority's governing board, which then approves the annual budget. The purpose of the Authority is to acquire, own, construct and operate a sewage collection and treatment system. The Authority is governed by a Board of Trustees containing six members. The participating communities are Brooks, Everett and Garfield townships. The Authority has outstanding debt of approximately \$3,600,000. The aforementioned townships have guaranteed the debt of the Authority in the event that the Authority is unable to make the debt payments. Complete financial statements can be obtained at Chain of Lakes Area Utilities Authority, P.O. Box 456, Newaygo, MI 49349.

The Township has advanced to the Authority \$122,441 as of March 31, 2014. The Township expects to make further loans as needed to the Authority. The loans are expected to be repaid once the Authority's outstanding bonds have been repaid.

Brooks Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2014

NOTE F—PENSION PLAN

The Township provides pension benefits for all of its board members and full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Township utilizes John Hancock Retirement Plans to provide this benefit and is required to contribute an amount equal to 10 percent of the qualified employees' annual compensation each plan year. For the year ended March 31, 2014, pension expenditures were approximately \$7,010 including certain fees.

NOTE G—ECONOMIC DEPENDENCY

State of Michigan shared revenues represent 55 percent of General Fund revenues.

REQUIRED SUPPLEMENTARY INFORMATION

Brooks Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended March 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Property taxes	\$ 99,650	\$ 99,650	\$ 98,402	\$ (1,248)
Licenses and permits	34,000	34,000	41,360	7,360
Intergovernmental revenues				
State	263,800	263,800	266,424	2,624
Local	-	-	3,125	3,125
Charges for services	59,200	59,200	63,382	4,182
Fines and forfeitures	150	150	564	414
Investment earnings	4,625	4,625	3,128	(1,497)
Other	8,700	8,700	5,098	(3,602)
Total revenues	470,125	470,125	481,483	11,358
EXPENDITURES				
Current				
General government				
Township board	72,810	72,810	47,042	25,768
Supervisor	21,046	21,046	20,277	769
Board of review	1,740	1,740	1,355	385
Clerk	36,305	36,305	35,910	395
Treasurer	41,220	41,220	39,046	2,174
Assessor	27,935	27,935	27,414	521
Township hall	33,255	33,255	37,359	(4,104)
Public works				
Infrastructure and projects	44,549	44,549	22,350	22,199
Roads	168,000	168,000	132,400	35,600
Community and economic development				
Planning commission	12,175	12,175	6,446	5,729
Other planning and zoning activities	47,565	47,565	16,858	30,707
Culture and recreation	1,000	1,000	554	446
Capital outlay	30,000	30,000	-	30,000
Total expenditures	537,600	537,600	387,011	150,589
Net change in fund balance	<u>\$ (67,475)</u>	<u>\$ (67,475)</u>	94,472	<u>\$ 161,947</u>
Fund balance at April 1, 2013			905,185	
Fund balance at March 31, 2014			<u>\$ 999,657</u>	

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

May 20, 2014

To the Township Board
Brooks Township

We have audited the financial statements of Brooks Township 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 to you during our conference on April 23, 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 Brooks Township are described in Note A to the financial statements. No new accounting policies were adopted. However, the application of the existing capitalization policy was changed. During the year, the Township increased its capitalization threshold to \$5,000. We noted no transactions entered into by the entity 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 Brooks Township's financial statements was:

Management's estimate of the depreciation expense is based on estimated useful lives of capital assets. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement 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 misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

BRICKLEY DELONG

Township Board
Brooks Township
May 20, 2014
Page 2

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 auditors' 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 May 20, 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 entity 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 the entity auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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

Sincerely,

Brickley De Long, P.C.