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May 15, 2015

Management and the Township Board
Bridgeport Charter Township
Bridgeport, MI

We have completed our audit of the financial statements of Bridgeport Charter Township as of and for the year ended December 31, 2014, and have issued our report dated May 15, 2015. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

- I. Auditors' Communication of Significant Matters with Those Charged with Governance
- II. Communication of Internal Control Matter Identified During the Audit

In addition, we have identified additional matters that are not required to be communicated but we believe are valuable for management:

- III. Matter for Management's Consideration

We discussed these matters with various personnel in the organization during the audit and with management. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Township Board, and others within the Township, and are not intended to be and should not be used by anyone other than those specified parties.

Yeo & Yeo, P.C.
Saginaw, Michigan

Appendix I

Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated December 1, 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 the Township are described in Note 1 of the financial statements. The organization has adopted Government Accounting Standards Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective January 1, 2014. The new standard provides guidance for accounting and disclosures for the organization's nonexchange financial guarantees on behalf of another entity. We noted no transactions entered into by the Township during the year where there is 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 estimates affecting Bridgeport Charter Township's financial statements were:

- The useful lives of the Township's capital assets combine to make one of the most significant estimates affecting the financial statements. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service. We have evaluated management's estimates in these areas and the process used for making the accounting estimates, the risk of material misstatement, and the indication of possible bias and disclosure and uncertainty in the financial statements. We feel the estimates have been properly recorded and evaluated by management.
- The estimates used in the other post-employment benefits calculation are also sensitive in nature and are considered a significant estimate. Some of the factors used in management's estimate of other post-employment benefits calculation include: life expectancy, historical insurance costs, probability of retirement, and the applicable federal interest rates in effect at the time of the calculation. We feel the estimates have been properly recorded and evaluated by management.

Disclosures in the financial statements are neutral, consistent and clear.

Accounting Standards

The Governmental Accounting Standards Board (“The GASB”) has issued Statement 68, *Accounting and Financial Reporting for Pensions*, and Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement 68 requires governments participating in public employee pension plans to recognize their portion of the long-term obligation for the pension benefits as a liability and to measure the annual costs of the pension benefits. The net pension liability will be recorded on the government-wide statements. Statement 71 amends Statement 68 to address an issue concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of Statement 68 by employers and non-employer contributing entities. Statements 68 and 71 are effective for the year ending December 31, 2015.

The GASB has also issued Statement 69, *Government Combinations and Disposals of Government Operations*. Statement 69 provides detailed requirements for the accounting and disclosure of various types of government combinations, such as mergers, acquisitions, and transfers of operations. The guidance available previously was limited to nongovernmental entities, and therefore did not provide practical examples for situations common in government-specific combinations and disposals. The accounting and disclosure requirements for these events vary based on whether a significant payment is made, the continuation or termination of services, and the legal structure of the new or continuing entity. Statement 69 is effective for the year ending December 31, 2014.

Uniform Grant Guidance (Super Circular)

In December 2013 the Federal Office of Management and Budget (OMB) issued final guidance on administrative requirements. The Guidance supersedes and streamlines requirements from OMB Circulars A-21, A-87, A-110, A-122, A-89, A-102 and A-133 and the guidance in Circular A-50 on Single Audit Act follow-up. Governments will need to implement the new administrative requirements and Cost Principles for all new federal grants awarded after December 26, 2014, and to additional funding to existing awards (referred to as funding increments) made after that date.

Highlights of the Super Circular:

- Raises the single audit threshold from \$500,000 to \$750,000 (federal expenditures during the December 31, 2015, yearend)
- Increases monitoring and risk assessment necessary by federal program offices
- Focuses heavily on internal controls and polices/procedures, which should be in compliance with COSO (Committee of Sponsoring Organizations of the Treadway Commissions)
- Additional monitoring by pass-through agencies of sub recipients
- New rules for procurement/property management
- Cost principles are more principles based, with intention to reduce administrative burden

Additional information and resources are available at the following websites:

- OMB http://www.whitehouse.gov/omb/grants_docs
- Council on Federal Assistance Reform (COFAR) <https://cfo.gov/cofar/>

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 that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all adjustments.

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.

There were no uncorrected misstatements that were more than trivial.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as 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 we had no disagreements with management during the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

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

Emphasis of Matters in Independent Auditors' Report

The Township has recorded a prior period adjustment to correct ownership of land that was incorrectly recorded in governmental activities rather than the component unit. Our report will therefore include the following emphasis of a matter paragraph:

Emphasis of Matter

As discussed in Note 10 to the financial statements, beginning net position has been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Report on Required Supplementary Information

With respect to the required supplementary information accompanying the financial statements, which includes management's discussion and analysis and budgetary comparison information, we 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.

Appendix II

Communication of Internal Control Matter Identified During the Audit

In planning and performing our audit of the financial statements of Bridgeport Charter Township as of and for the year ended December 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered Bridgeport Charter Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a 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 deficiency in Bridgeport Charter Township's internal control to be material weakness.

Prior Period Adjustment

Management is responsible for reporting reliable financial data in accordance with Generally Accepted Accounting Principles. Restatements of beginning net position have been recorded to correct ownership of land that was incorrectly recorded in governmental activities rather than the component unit.

We recommend that the Township reviews procedures in place related to the capitalization of assets in their financial reporting and take steps to ensure that a similar issue will not occur in the future.

Appendix III
Matter for Management's Consideration

In planning and performing our audit of the financial statements of Bridgeport Charter Township as of and for the year ended December 31, 2014, we considered Bridgeport Charter Township's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

However, during our audit we became aware of a matter for management's consideration. This letter does not affect our report dated May 15, 2015, on the financial statements of Bridgeport Charter Township. Our comment and recommendation regarding that matter is:

Deficit Fund Balance/ Unrestricted Net Position

The Bridgeport Charter Township accumulated a deficit unassigned fund balance in the Sidewalks fund of \$62,374 during the current year. The Downtown Development Authority began the year with a deficit in unrestricted net position of \$89,386 and ended the year with a deficit of \$21,325.

We recommend that the Township develops a plan to eliminate each deficit through prudent budgeting and future operations.