



Stephenson, Gracik & Co., P.C.

Certified Public Accountants & Consultants

Alan J. Stephenson, CPA
Gerald D. Gracik Jr., CPA
James J. Gracik, CPA
Donald W. Brannan, CPA
Kyle E. Troyer, CPA

TOWNSHIP OF WEST BRANCH
OGEMAW COUNTY, MICHIGAN

AUDITORS' REPORT
YEAR ENDED MARCH 31, 2013

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AUDITORS' REPORT

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 9
<u>BASIC FINANCIAL STATEMENTS</u>	
<u>GOVERNMENT-WIDE FINANCIAL STATEMENTS</u>	
STATEMENT OF NET POSITION	10
STATEMENT OF ACTIVITIES	11 - 12
<u>FUND FINANCIAL STATEMENTS</u>	
BALANCE SHEET - GOVERNMENTAL FUNDS	13
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES	14
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	15
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	16
STATEMENT OF NET POSITION - PROPRIETARY FUNDS	17
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS	18
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS	19
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - FIDUCIARY FUND	20
NOTES TO FINANCIAL STATEMENTS	21 - 39
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND	40
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GYPSY MOTH FUND - SPECIAL REVENUE FUND	41
<u>OTHER INFORMATION</u>	
BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY - COMPONENT UNIT - GOVERNMENTAL FUND	42
DOWNTOWN DEVELOPMENT AUTHORITY - COMPONENT UNIT - RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION	43
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - DOWNTOWN DEVELOPMENT AUTHORITY - COMPONENT UNIT - GOVERNMENTAL FUND	44
DOWNTOWN DEVELOPMENT AUTHORITY - COMPONENT UNIT - RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	45



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May 17, 2013

Independent Auditors' Report

Members of the Township Board
Township of West Branch
Ogemaw County, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Township of West Branch, Ogemaw County, Michigan, as of and for the year ended March 31, 2013, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the index.

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, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Township of West Branch, Ogemaw County, Michigan, as of March 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2, the Township of West Branch has implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and No. 65, Items previously reported as Assets and Liabilities, as of March 31, 2013. Our opinion is not modified with respect to this matter.

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 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 West Branch's basic financial statements. The Downtown Development Authority - component unit fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Downtown Development Authority - component unit 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 States of America. In our opinion, the Downtown Development Authority - component unit fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Stephenson, Grain & Co., P.C.

WEST BRANCH TOWNSHIP

1705 S. Fairview Rd., West Branch, MI. 48661

Phone: (989) 345-5450 Fax: (989) 345-8419

E-Mail: wbtogemaw@sbcglobal.net Website: www.westbranchtownship.org

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the Township of West Branch's (the Township) financial performance provides an overview of the Township's financial activities for the year ended March 31, 2013. The intent of this discussion and analysis is to look at the Township's financial performance as a whole. The discussion focuses on the Township's primary government.

Financial Highlights

- The Township's assets exceeded its liabilities by \$5,577,885.
- The Township's total net position increased by \$265,396.
- The Township's governmental funds reported a combined ending fund balance of \$847,633 this year, an increase of \$90,355. Of this amount, \$697,779 is available for spending (*unassigned fund balance*) on behalf of its citizens. The Township's General Fund 2012/2013 fiscal year end *fund balance* is \$750,637.

Overview of the Financial Statements

The financial statements are organized so the reader can understand the Township as a financial whole or as an entire operating entity. The statements also provide a detailed look at specific financial conditions.

The Township's basic financial statements are comprised of three components: The government-wide financial statements, fund financial statements, and notes to financial statements. The report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The *statement of net position* and the *statement of activities* display information about the Township as a whole. These statements include the financial activities of the primary government except for its fiduciary funds. For the most part, the effect of interfund activity has been removed from the statements. The statements distinguish between those activities of the Township that are governmental in nature and those that are considered business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues while business-type activities rely to a significant extent on fees and charges for services.

The statement of net position presents the financial condition of the governmental and business-type activities of the Township at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Township's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function.

Program revenues include charges paid by the recipient for the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Township with certain limited exceptions. The comparisons of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the Township.

With this report, capital assets and infrastructure are listed for the Township of West Branch. These assets are comprised of buildings and improvements, land improvements, machinery and equipment, infrastructure and land owned by the Township. These assets total over \$5,500,000.

Fund Financial Statements

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: *Governmental*, *Proprietary* and *Fiduciary*.

Governmental Funds:

Governmental funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Township's major governmental funds:

- General Fund – This fund accounts for all financial resources, except those required to be accounted for in another fund. Revenues are derived primarily from property taxes and state revenue.
- Gypsy Moth Fund – This fund is used to record transactions relative to the suppression and control of gypsy moth masses in the Township.
- Refinery Redevelopment Fund – This fund is used to record the activity related to major construction projects of the Township. Included are transactions related to the improvements to the Mulch Manufacturing site.

Proprietary Funds:

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

The Township's enterprise funds may be used to account for any activity for which a fee is charged to external users (citizens) for goods and services. The following are the Township's major enterprise funds:

- Water and Sanitary Sewer Fund – This fund is used to record transactions relative to the operation of the water and sewer use for the Township of West Branch.
- Water #2 Fund – This fund is used to record transactions relative to the I-75 project from Cook Road to M-55 and for future service connections.

Fiduciary Funds: Fiduciary fund reporting focuses on net position and changes in net position. The Township's agency fund accounts for assets held by the Township for political subdivisions in which the Township acts as fiscal agent for taxes collected and distributed to other political subdivisions.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided on the Township *government-wide* and *fund* financial statements. The notes to financial statements are presented following the Basic Financial Statements, and provide an expansive and thorough view of various aspects of the audited financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents individual fund statements.

Government-wide Financial Analysis

Summary of Net Position :

The following summarizes the net position of the Township of West Branch at March 31, 2013 and 2012:

Net Position Summary

	Governmental Activities	Business-Type Activities	March 31, 2013	March 31, 2012
Current Assets	\$ 869,252	\$ 1,170,446	\$ 2,039,698	\$ 1,894,780
Other Noncurrent Assets	29,040	3,102,640	3,131,680	3,112,672
Capital Assets Not Being Depreciated	36,436	26,700	63,136	63,136
Capital Assets – Net of Accum. Depreciation	34,371	3,501,072	3,535,443	3,665,673
Total Assets	969,099	7,800,858	8,769,957	8,736,261
Current Liabilities	13,117	41,503	54,620	67,224
Long-Term Liabilities	106,179	3,031,273	3,137,452	3,356,548
Total Liabilities	119,296	3,072,776	3,192,072	3,423,772
Net Position				
Net Investment in				
Capital Assets	70,807	3,457,772	3,528,579	3,469,887
Restricted	70,249	0	70,249	79,343
Unrestricted	708,747	1,270,310	1,979,057	1,763,259
Total Net Position	\$ 849,803	\$ 4,728,082	\$ 5,577,885	\$ 5,312,489

Summary of Changes in Net Position :

Following is an analysis of the changes in net position for fiscal year 2013 with comparative totals for 2012.

Generally speaking, the Township's net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction, or improvement of those assets. The Township of West Branch, through its governing body, i.e., Township Board, has taken a sensible approach vis-à-vis capital

Summary of Changes in Net Position (Continued):

asset acquisition and amortization of the incurred debt. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors or laws/regulations of other governments.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Revenues:				
Program Revenues:				
Charges for Services	\$ 59,607	\$ 357,678	\$ 417,285	\$ 449,464
Operating Grants and Contributions	0	0	0	3,389
Capital Grants and Contributions	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Program Revenues	<u>59,607</u>	<u>357,678</u>	<u>417,285</u>	<u>452,853</u>
General Revenues:				
Property Taxes	98,726	0	98,726	91,497
State Revenue Sharing	188,336	0	188,336	186,720
Payments from Component Unit	0	203,078	203,078	208,078
Interest and Investment Earnings	4,023	4,113	8,136	8,395
Rent Income	449	9,712	10,161	9,298
Sale of Capital Assets	(401)	0	(401)	0
Other	4,912	7,859	12,771	10,623
Transfers	<u>(2,674)</u>	<u>2,674</u>	<u>0</u>	<u>0</u>
Total General Revenues	<u>293,371</u>	<u>227,436</u>	<u>520,807</u>	<u>514,611</u>
Total Revenues	<u>352,978</u>	<u>585,114</u>	<u>938,092</u>	<u>967,464</u>
Program Expenses:				
General Government	147,337	0	147,337	158,335
Public Safety	43,080	0	43,080	32,413
Public Works	61,410	0	61,410	88,226
Community and Economic Development	13,255	0	13,255	14,055
Interest and Fees on Long-Term Debt	1,652	0	1,652	0
Water and Sanitary Sewer Services	0	330,646	330,646	332,232
Water #2 Services	<u>0</u>	<u>75,316</u>	<u>75,316</u>	<u>156,728</u>
Total Program Expenses	<u>266,734</u>	<u>405,962</u>	<u>672,696</u>	<u>781,989</u>
Change in Net Position	86,244	179,152	265,396	185,475
Beginning Net Position	<u>763,559</u>	<u>4,548,930</u>	<u>5,312,489</u>	<u>5,127,014</u>
Ending Net Position	<u>\$ 849,803</u>	<u>\$ 4,728,082</u>	<u>\$ 5,577,885</u>	<u>\$ 5,312,489</u>

Governmental Activities

The *Statement of Activities* illustrates, by department, the expense incurred and revenue received.

Total governmental activities reveal revenues of \$59,607 from *Charges for Services*. The *Charges for Services* are charges for various permits and property tax collection fees. While revenue collected is substantial, operating expenses totaled \$266,734 for these same activities. The largest expenses were incurred by General Government offices (\$147,337) and Public Works (\$61,410).

Business-Type Activities

The Township of West Branch's Business-Type Activities include the Water and Sanitary Sewer Fund and Water #2 Funds. These funds are supported primarily from user fees for water and sewer services.

Financial Analysis of Township Funds

As noted earlier in this report, the Township uses fund accounting to ensure and demonstrate compliance with finance-related statutory and legal requirements. A thorough review and examination of fund types will reveal the strengths and weaknesses of its daily operations.

Governmental Funds

Governmental funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Township's major governmental funds: 1) General fund – accounts for all financial resources, except those required to be accounted for in another fund. Revenues are derived primarily from property taxes and state revenue; 2) Gypsy Moth Fund – accounts for the transactions relative to the treatment and control of gypsy moth masses in the Township; and 3) Refinery Redevelopment Fund – accounts for the activity related to major construction projects of the Township, including improvements to the Mulch Manufacturing site.

This year's Township audit shows 3 governmental funds. These funds are maintained by the Township Treasurer as separate units in the General Ledger.

Enterprise Funds

The Township's enterprise funds provide the same type of information found in the government-wide financial statements. Commonly, the Water and Sanitary Sewer and the Water #2 activities comprise these funds. GASB 34 places such funds under the caption of Proprietary Funds under the appropriate statements, i.e., "Statement of Net Position", "Statement of Cash Flows", etc.

Budgetary Highlights

The Township's budgets are prepared according to Michigan law. The most significant budgeted fund is the General Fund.

During the fiscal year ended March 31, 2013 the Township Board amended the budget to take into account events occurring during the year. These budget amendments fall into two categories:

- Changes made to reflect increases or decreases in anticipated expenditures
- Changes made to reflect increases or decreases in anticipated revenues

General Fund

The General Fund actual revenue was \$372,253. That amount is above both the original and final amended budget estimates of \$341,634, due to receiving additional property tax revenue and state revenue sharing than anticipated.

The actual expenditures of the General Fund were \$279,902, which is below both the original and final budget estimates of \$380,467 and \$382,967, respectively. The variance between the final budget and actual expenditures was due primarily to decreased costs for public works (road construction), as well as decreased expenditures in community and economic development.

The General Fund had total revenues of \$372,253 and total expenditures of \$279,902 with an ending fund balance of \$750,637.

Capital Assets

Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 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 FMV (fair market value) at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Capital Assets – Governmental Activities beginning balance was \$103,228 and ending balance was \$103,928. Governmental Activities Total Capital Assets – Net of Depreciation ending balance was \$70,807. Capital asset additions consisted of a new copy machine and disposals consisted of the old copy machine in the year ended March 31, 2013.

Capital Assets – Business-Type Activities beginning balance and ending balance was \$5,477,827. Business-Type Activities Total Capital Assets – Net of Depreciation ending balance was \$3,527,772. There were no capital asset additions and no capital asset disposals in the year ended March 31, 2013.

An expanded and detailed presentation of capital assets may be seen in Note 5 of the audit, notes to financial statements.

Long-Term Debt

The Long-Term debt of the Township, as noted on the financial statements contained herein, is comprised of debt related to direct business transactions by the Township Board or business trade activity on the part of the local unit of government.

In the fiscal year ended March 31, 2011, the Township entered into a contract payable with the West Branch Area Wastewater Treatment Plant Authority for the construction and operation of a sewage treatment facility. There were additional Bond Proceeds in the current year, increasing the contract payable by \$28,578. Payments are being made out of the Water and Sanitary Sewer Fund.

At year's end, long-term debt amounted to \$3,137,452. Such debt includes *Contracts Payable and Notes Payable*.

An expanded and detailed presentation of long-term debt may be seen in Note 6 of the audit, notes to financial statements.

Economic Factors

The Township Board continues to work hard to keep expenditures down and to maintain revenue levels that are within their control. Revenue sharing from the State of Michigan is the greatest source of revenue for the Township's General Fund at approximately 52%. As the revenue estimates continue to decline at the state level the Township may lose funds that are currently budgeted.

The Township's property tax revenues are the second highest funding source and account for approximately 37% of the Township General Fund Revenues.

The major expenditures for the Township's General Fund are for General Government (51%) followed by Public Works (22%) and Public Safety (15%).

In the current year, the General Fund experienced a 15% increase in its Fund Balance. The Township Board monitors the revenue and expenditures throughout the year and takes appropriate action when the economic factors dictate a change.

Component Units

Complete financial statements for the West Branch Downtown Development Authority are included in this audit report.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township of West Branch's Township Clerk's office located at 1705 S. Fairview Road, West Branch, MI 48661.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

STATEMENT OF NET POSITION
March 31, 2013

	<u>Primary Government</u>			Component Unit
	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>	<u>Downtown Development Authority</u>
<u>Assets</u>				
Cash and Cash Equivalents (Note 3)	\$ 695,726	\$ 314,748	\$ 1,010,474	\$ 140,621
Investments (Note 3)	91,317	810,284	901,601	0
Receivables:				
Property Taxes	8,451	0	8,451	0
Special Assessments	10,154	0	10,154	0
Accounts, Net	0	71,429	71,429	0
Interest	109	125	234	0
Due from Primary Government (Note 4)	0	0	0	5,667
Due from Local Units	2,478	0	2,478	0
Due from State	29,077	0	29,077	0
Internal Balances	26,140	(26,140)	0	0
Real Property Held for Sale	5,800	0	5,800	0
Noncurrent Assets:				
Long-Term Special Assessments Receivable	29,040	0	29,040	0
Investment in West Branch Area Wastewater Treatment Plant Authority (Note 1)	0	3,102,640	3,102,640	0
Capital Assets Not Being Depreciated (Note 5)	36,436	26,700	63,136	434,599
Capital Assets, Net of Accumulated Depreciation (Note 5)	<u>34,371</u>	<u>3,501,072</u>	<u>3,535,443</u>	<u>0</u>
Total Assets	<u>969,099</u>	<u>7,800,858</u>	<u>8,769,957</u>	<u>580,887</u>
<u>Liabilities</u>				
Accounts Payable	4,136	2,461	6,597	0
Due to Local Units	0	28,089	28,089	0
Due to Component Unit (Note 4)	5,667	0	5,667	0
Due to State	0	352	352	0
Accrued Interest Payable	1,652	10,601	12,253	0
Accrued Liabilities	1,662	0	1,662	0
Long Term Liabilities: (Note 6)				
Due Within One Year	9,697	160,663	170,360	0
Due In More Than One Year	<u>96,482</u>	<u>2,870,610</u>	<u>2,967,092</u>	<u>0</u>
Total Liabilities	<u>119,296</u>	<u>3,072,776</u>	<u>3,192,072</u>	<u>0</u>
<u>Net Position</u>				
Net Investment in Capital Assets	70,807	3,457,772	3,528,579	434,599
Restricted For:				
Gypsy Moth Suppression and Control	52,005	0	52,005	0
Economic Development	0	0	0	146,288
Capital Projects	18,244	0	18,244	0
Unrestricted	<u>708,747</u>	<u>1,270,310</u>	<u>1,979,057</u>	<u>0</u>
Total Net Position	<u>\$ 849,803</u>	<u>\$ 4,728,082</u>	<u>\$ 5,577,885</u>	<u>\$ 580,887</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2013

Function/Program	Net (Expense) Revenue and Changes in Net Position							Component Unit Downtown Development Authority
	Expenses	Program Revenues			Primary Government			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total	
Primary Government								
Governmental Activities:								
General Government:								
Legislative and Executive	\$ 53,518	\$ 0	\$ 0	\$ 0	\$ (53,518)	\$ 0	\$ (53,518)	
Financial and Tax								
Administration	71,296	38,917	0	0	(32,379)	0	(32,379)	
Other General Government	22,523	2,049	0	0	(20,474)	0	(20,474)	
Public Safety:								
Fire	43,080	0	0	0	(43,080)	0	(43,080)	
Public Works:								
Solid Waste	12,223	15,169	0	0	2,946	0	2,946	
Other Public Works	49,187	3,472	0	0	(45,715)	0	(45,715)	
Community and Economic								
Development	13,255	0	0	0	(13,255)	0	(13,255)	
Interest and Fees on Long-								
Term Debt	<u>1,652</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,652)</u>	<u>0</u>	<u>(1,652)</u>	
Total Governmental								
Activities	<u>266,734</u>	<u>59,607</u>	<u>0</u>	<u>0</u>	<u>(207,127)</u>	<u>0</u>	<u>(207,127)</u>	
Business-Type Activities:								
Water and Sanitary Sewer								
Services	330,646	272,466	0	0	0	(58,180)	(58,180)	
Water #2 Services	<u>75,316</u>	<u>85,212</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>9,896</u>	<u>9,896</u>	
Total Business-Type								
Activities	<u>405,962</u>	<u>357,678</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(48,284)</u>	<u>(48,284)</u>	
Total Primary Government	<u>\$ 672,696</u>	<u>\$ 417,285</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>(207,127)</u>	<u>(48,284)</u>	<u>(255,411)</u>	

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2013

Function/Program	Net (Expense) Revenue and Changes in Net Position							Component Unit Downtown Development Authority
	Program Revenues				Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
<u>Component Unit</u>								
Downtown Development Authority	\$ <u>19,339</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>				\$ <u>(19,339)</u>
General Revenue:								
Property Taxes Levied For:								
General Operating					98,726	0	98,726	317,642
State Revenue Sharing					188,336	0	188,336	0
Payments from Component Unit					0	203,078	203,078	0
Payments to Primary Government					0	0	0	(203,078)
Interest and Investment Earnings					4,023	4,113	8,136	1,009
Rent Income					449	9,712	10,161	0
Gain (Loss) on Disposal of Capital Assets					(401)	0	(401)	0
Other					4,912	7,859	12,771	27
Transfers					(2,674)	2,674	0	0
Total General Revenue					<u>293,371</u>	<u>227,436</u>	<u>520,807</u>	<u>115,600</u>
Change in Net Position					86,244	179,152	265,396	96,261
Net Position - Beginning					<u>763,559</u>	<u>4,548,930</u>	<u>5,312,489</u>	<u>484,626</u>
Net Position - Ending					<u>\$ 849,803</u>	<u>\$ 4,728,082</u>	<u>\$ 5,577,885</u>	<u>\$ 580,887</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

BALANCE SHEET
GOVERNMENTAL FUNDS
March 31, 2013

	<u>General Fund</u>	<u>Special Revenue Fund</u> <u>Gypsy Moth Fund</u>	<u>Capital Project Fund</u> <u>Refinery Redevelopment Fund</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash and Cash Equivalents (Note 3)	\$ 695,726	\$ 0	\$ 0	\$ 695,726
Investments (Note 3)	0	78,678	12,639	91,317
Receivables:				
Property Taxes	8,451	0	0	8,451
Special Assessments	39,194	0	0	39,194
Interest	0	74	35	109
Due from Local Units	2,478	0	0	2,478
Due from State	29,077	0	0	29,077
Due from Other Funds (Note 4)	20,570	0	5,570	26,140
Real Property Held for Sale	<u>5,800</u>	<u>0</u>	<u>0</u>	<u>5,800</u>
 Total Assets	 <u>\$ 801,296</u>	 <u>\$ 78,752</u>	 <u>\$ 18,244</u>	 <u>\$ 898,292</u>
<u>Liabilities</u>				
Accounts Payable	\$ 4,136	\$ 0	\$ 0	\$ 4,136
Due to Component Unit	5,667	0	0	5,667
Accrued Liabilities	<u>1,662</u>	<u>0</u>	<u>0</u>	<u>1,662</u>
Total Liabilities	<u>11,465</u>	<u>0</u>	<u>0</u>	<u>11,465</u>
<u>Deferred Inflows of Resources</u>				
Unavailable Revenue - Special Assessments	<u>\$ 39,194</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 39,194</u>
<u>Fund Equity</u>				
Fund Balances:				
Nonspendable:				
Inventory	5,800	0	0	5,800
Restricted For:				
Gypsy Moth Suppression and Control	0	52,005	0	52,005
Capital Projects	0	0	18,244	18,244
Committed To:				
Gypsy Moth Suppression and Control	0	26,747	0	26,747
Assigned To:				
2013/2014 Budgeted Expenditures	47,058	0	0	47,058
Unassigned	<u>697,779</u>	<u>0</u>	<u>0</u>	<u>697,779</u>
Total Fund Equity	<u>750,637</u>	<u>78,752</u>	<u>18,244</u>	<u>847,633</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Equity	 <u>\$ 801,296</u>	 <u>\$ 78,752</u>	 <u>\$ 18,244</u>	 <u>\$ 898,292</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
March 31, 2013

Total Governmental Fund Balances	\$	847,633
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. Capital assets at year end consist of:		
Capital Asset Cost	\$	103,928
Accumulated Depreciation		<u>(33,121)</u>
		70,807
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds:		
Special Assessments Receivable		39,194
Accrued Interest on Long-Term Liabilities		(1,652)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:		
Notes Payable		<u>(106,179)</u>
Total Net Position - Governmental Activities	\$	<u>849,803</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended March 31, 2013

	<u>General Fund</u>	<u>Special Revenue Fund</u> <u>Gypsy Moth Fund</u>	<u>Capital Project Fund</u> <u>Refinery Redevelopment Fund</u>	<u>Total Governmental Funds</u>
<u>Revenue</u>				
Property Taxes	\$ 137,643	\$ 0	\$ 0	\$ 137,643
State Shared Revenue	191,865	0	0	191,865
Licenses and Permits	1,543	0	0	1,543
Charges for Services	15,674	0	0	15,674
Interest and Rentals	3,794	284	394	4,472
Special Assessments	16,821	0	0	16,821
Other Revenue	4,913	0	0	4,913
Total Revenue	<u>372,253</u>	<u>284</u>	<u>394</u>	<u>372,931</u>
<u>Expenditures</u>				
Current:				
General Government:				
Legislative	35,863	0	0	35,863
Chief Executive	17,655	0	0	17,655
Financial and Tax Administration	71,296	0	0	71,296
Other General Government	19,044	0	0	19,044
Public Safety	43,080	0	0	43,080
Public Works	61,410	0	0	61,410
Community and Economic Development	13,255	0	0	13,255
Capital Outlay	6,478	0	0	6,478
Debt Service:				
Principal	11,821	0	0	11,821
Total Expenditures	<u>279,902</u>	<u>0</u>	<u>0</u>	<u>279,902</u>
Excess of Revenue Over Expenditures	<u>92,351</u>	<u>284</u>	<u>394</u>	<u>93,029</u>
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	11,821	0	(9,488)	2,333
Operating Transfers Out	(5,007)	0	0	(5,007)
Total Other Financing Sources (Uses)	<u>6,814</u>	<u>0</u>	<u>(9,488)</u>	<u>(2,674)</u>
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	99,165	284	(9,094)	90,355
Fund Balances - Beginning of Year	<u>651,472</u>	<u>78,468</u>	<u>27,338</u>	<u>757,278</u>
Fund Balances - End of Year	<u>\$ 750,637</u>	<u>\$ 78,752</u>	<u>\$ 18,244</u>	<u>\$ 847,633</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2013

Total Net Change in Fund Balances - Governmental Funds	\$	90,355
Amounts reported for governmental activities in the statement of activities are different because:		
Receivables not currently available are reported as revenue when collected or when currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements:		
Special Assessments		(16,878)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Outlay	\$ 4,695	
Current Year Depreciation Expense	(1,696)	
Net Basis of Capital Assets Sold	<u>(401)</u>	
Net difference		2,598
Principal repayments on long-term debt are reported as expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The amount of repayments reported as expenditures in the governmental funds consist of:		
Notes Payable		11,821
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Net Change in Accrued Interest		<u>(1,652)</u>
Change in Net Position of Governmental Activities	\$	<u><u>86,244</u></u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
March 31, 2013

	Enterprise Funds		
	Major Funds		
	Water and Sanitary Sewer Fund	Water #2 Fund	Total
<u>Assets</u>			
Current Assets:			
Cash and Cash Equivalents (Note 3)	\$ 175,527	\$ 139,221	\$ 314,748
Investments (Note 3)	473,028	337,256	810,284
Receivables:			
Accounts, Net	57,924	13,505	71,429
Interest Receivable	69	56	125
Due from Other Funds (Note 4)	105,967	0	105,967
Total Current Assets	812,515	490,038	1,302,553
Noncurrent Assets:			
Investment in West Branch Area Wastewater Treatment Plant Authority (Note 1)	3,102,640	0	3,102,640
Capital Assets Not Being Depreciated (Note 5)	3,700	23,000	26,700
Capital Assets, Net of Accumulated Depreciation (Note 5)	2,250,017	1,251,055	3,501,072
Total Noncurrent Assets	5,356,357	1,274,055	6,630,412
 Total Assets	 6,168,872	 1,764,093	 7,932,965
<u>Liabilities</u>			
Current Liabilities:			
Accounts Payable	1,184	1,277	2,461
Due to Other Funds (Note 4)	45,140	86,967	132,107
Due to Local Units	28,089	0	28,089
Due to State	0	352	352
Accrued Interest Payable	8,968	1,633	10,601
Current Portion of Long-Term Liabilities (Note 6)	90,663	70,000	160,663
Total Current Liabilities	174,044	160,229	334,273
Long-Term Liabilities:			
Due in More Than One Year (Note 6)	2,870,610	0	2,870,610
Total Liabilities	3,044,654	160,229	3,204,883
<u>Net Position</u>			
Net Investment in Capital Assets	2,253,717	1,204,055	3,457,772
Unrestricted	870,501	399,809	1,270,310
Total Net Position	\$ 3,124,218	\$ 1,603,864	\$ 4,728,082

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended March 31, 2013

	Enterprise Funds		
	Major Funds		
	Water and Sanitary Sewer Fund	Water #2 Fund	Total
<u>Operating Revenue</u>			
Charges For Services	\$ 263,552	\$ 74,129	\$ 337,681
Service Connection Charges	8,914	11,083	19,997
Rentals	0	9,712	9,712
Other Revenue	7,059	800	7,859
Total Operating Revenue	<u>279,525</u>	<u>95,724</u>	<u>375,249</u>
<u>Operating Expenses</u>			
Salaries and Wages	0	7,504	7,504
Payroll Taxes and Employee Benefits	0	1,188	1,188
Depreciation and Amortization	95,064	38,842	133,906
Dues and Subscriptions	0	659	659
Insurance and Bonds	0	850	850
Operating Supplies	8,132	2,217	10,349
Postage	0	119	119
Printing and Advertising	0	363	363
Professional Fees and Services	15,046	3,586	18,632
Rent	1,105	0	1,105
Repair and Maintenance	3,999	0	3,999
Travel and Training	0	1,170	1,170
Utilities	4,279	10,491	14,770
Water Purchases	126,230	0	126,230
Other	30	390	420
Total Operating Expenses	<u>253,885</u>	<u>67,379</u>	<u>321,264</u>
Operating Income (Loss)	<u>25,640</u>	<u>28,345</u>	<u>53,985</u>
<u>Nonoperating Revenue (Expenses)</u>			
Interest and Investment Earnings	2,289	1,824	4,113
Interest and Fees Expense	(76,761)	(7,937)	(84,698)
Total Nonoperating Revenue (Expenses)	<u>(74,472)</u>	<u>(6,113)</u>	<u>(80,585)</u>
Income (Loss) Before Operating Transfers	<u>(48,832)</u>	<u>22,232</u>	<u>(26,600)</u>
Operating Transfers In	14,495	0	14,495
Operating Transfers from Component Unit	58,245	144,833	203,078
Operating Transfers Out	(11,821)	0	(11,821)
Net Operating Transfers	<u>60,919</u>	<u>144,833</u>	<u>205,752</u>
Change in Net Position	12,087	167,065	179,152
Net Position - Beginning of Year	<u>3,112,131</u>	<u>1,436,799</u>	<u>4,548,930</u>
Net Position - End of Year	<u>\$ 3,124,218</u>	<u>\$ 1,603,864</u>	<u>\$ 4,728,082</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended March 31, 2013

	Enterprise Funds		
	Major Funds		
	Water and Sanitary Sewer Fund	Water #2 Fund	Total
<u>Cash Flows From Operating Activities</u>			
Receipts From Customers	\$ 288,934	\$ 96,103	\$ 385,037
Payments to Suppliers for Goods and Services	(163,040)	(20,233)	(183,273)
Payments to Employees for Services	0	(8,692)	(8,692)
Net Cash Provided by Operating Activities	125,894	67,178	193,072
<u>Cash Flows From Non-Capital Financing Activities</u>			
Cash Received from Other funds	8,422	219	8,641
<u>Cash Flows From Capital and Related Financing Activities</u>			
Cash Received from Component Unit	58,245	144,833	203,078
Principal Paid on Long-Term Debt	(101,931)	(135,000)	(236,931)
Interest and Fees Paid on Long-Term Debt	(80,698)	(9,833)	(90,531)
Net Cash Used by Capital and Related Financing Activities	(124,384)	0	(124,384)
<u>Cash Flows From Investing Activities</u>			
Interest on Investments	90	193	283
Net Increase in Cash and Cash Equivalents	10,022	67,590	77,612
Cash and Cash Equivalents at Beginning of Year (Note 1)	165,505	71,631	237,136
Cash and Cash Equivalents at End of Year (Note 1)	\$ 175,527	\$ 139,221	\$ 314,748
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>			
Operating Income	\$ 25,640	\$ 28,345	\$ 53,985
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization Expense	95,064	38,842	133,906
Change in Assets and Liabilities:			
Accounts Receivable, Net	9,409	379	9,788
Accounts Payable and Accrued Liabilities	(4,219)	(388)	(4,607)
Net Cash Provided by Operating Activities	\$ 125,894	\$ 67,178	\$ 193,072

Supplemental Disclosures:

Noncash Capital and Related Financing Activities

The Township recorded noncash activity by increasing their investment in the West Branch Area Wastewater Treatment Plant Authority by \$28,578 through additional Bond Proceeds to the Authority for a total investment of \$3,102,640.

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
March 31, 2013

	<u>Tax Collection Fund</u>
<u>ASSETS</u>	
Cash and Cash Equivalents (Note 3)	\$ <u>2,478</u>
<u>LIABILITIES</u>	
Due to Local Units	\$ <u>2,478</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of West Branch (Township) conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governments. The following is a summary of the significant accounting policies:

A. Description of Township Operations and Fund Types

The Township of West Branch was organized in 1885 and covers an area of approximately 36 square miles in West Branch, Michigan. The Township operates under an elected Township Board (five members) and provides services to its residents in many areas including community enrichment and development and human services. All activities over which the Township exercises oversight responsibility have been included in the reporting entity. Oversight responsibility is determined by factors such as financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters of the entity.

B. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the Township are not misleading. The primary government of the Township consists of all funds, departments, boards, and agencies that are not legally separate from the Township.

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs of services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Township is obligated for the debt of the organization. Component units may also include organizations for which the Township approves the budget, the issuance of debt, or the levying of taxes.

1. Discretely Presented Component Unit

The component unit column on the combined financial statements includes the financial data of the Township's component unit. This is reported in separate columns to emphasize that it is legally separate from the Township.

a. Governmental Activity and Fund Type Component Unit:

Township of West Branch Downtown Development Authority - The governing body of the Downtown Development Authority is appointed by the Township Board. The annual budget of the Authority is approved by the Township Board. The Authority cannot levy taxes or issue debt without the approval of the Township Board. The Authority was created to halt property value deterioration and the causes thereof, to increase property tax valuation, and to promote economic growth within the development district. The financial statements of the Authority are presented as part of Other Supplementary Information and are not audited separately.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Joint Ventures

The Township has entered into joint ventures with various municipalities described as follows:

Ogemaw Fire Department

The Township of West Branch is one member of the Ogemaw Fire Department which serves six governmental units. The Township contributes a pro-rata share of the budget of the Ogemaw Fire Department calculated based on the state equalized value (SEV) of the participating municipalities, as provided by the by-laws of the Ogemaw Fire Department. The Township's contribution to the Ogemaw Fire Department for the year ended March 31, 2013 was \$43,080.

Upon dissolution of the Ogemaw Fire Department, all funds, special funds, equipment, land, buildings and assets belonging to the Department shall remain with any two or more of the original municipalities that agreed to continue under the terms of the contract on the effective date of the dissolution of the Department. The Ogemaw Fire Department had assets of \$1,163,723 at December 31, 2012.

Financial statements may be obtained from the Ogemaw Fire Department, 119 N. Third Street, West Branch, MI 48661.

West Branch Area Wastewater Treatment Plant Authority

The West Branch Area Wastewater Treatment Plant Authority (Authority) was established as a joint venture between the City of West Branch, West Branch Township and Ogemaw Township. The Authority was established for the construction and operation of a sewage treatment facility to service the three municipalities. The Authority was established to acquire, own, improve, enlarge, extend and operate a sewage treatment facility. The initial contract amount plus any adjustment for the Township of West Branch's share of the contract is recorded as Investment in West Branch Area Wastewater Treatment Plant Authority in the Water and Sanitary Sewer Fund of the Township because title to the sewer facility belongs to the Authority.

The construction was originally funded with the proceeds of the West Branch Area Wastewater Treatment Plant Authority Limited Tax General Obligation Bonds series 2009A and 2009B. The most current estimate of the Township's share is 24.7% of the total bond issue as of June 30, 2012 of \$4,110,000 and \$8,410,000 or \$1,015,170 and \$2,077,270, respectively. Each entity's percentage of payback will be based on actual gallon usage to be adjusted on an annual basis, after the Authority operations are up and running for two years. The assets of the joint sewage treatment facility are the property of the West Branch Area Wastewater Treatment Plant Authority and, therefore, are not presented in these financial statements. The members of this joint venture have pledged their full faith and credit for the payment and are obligated to make such payments from their Sewer Funds. Currently, the Township of West Branch is making payments through charges for services.

The current value of the Township of West Branch's investment in the West Branch Area Wastewater Treatment Plant Authority is \$3,102,640. Complete financial statements can be obtained from the West Branch Area Wastewater Treatment Plant Authority's office.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government and its component unit, except for fiduciary funds. For the most part, the effect of interfund activity has been removed from the statements. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues while business-type activities rely to a significant extent on fees and charges for support.

The statement of net position presents the financial condition of the governmental and business-type activities of the Township at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Township's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Township, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the Township.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Fiduciary funds are reported by type, and are excluded from the government-wide financial statements.

E. Fund Accounting

The Township uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Township functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Township's major governmental funds:

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Continued)

General Fund - This fund accounts for all financial resources, except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state and federal distributions, grants and other intergovernmental revenue.

Gypsy Moth Fund - This fund is used to record transactions relative to the suppression and control of gypsy moth masses in the Township.

Refinery Redevelopment Fund - This fund is used to record the activity related to major construction projects of the Township. Included are transactions related to the improvements to the Mulch Manufacturing site.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

The Township's enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the Township's major enterprise funds:

Water and Sanitary Sewer Fund - This fund is used to record transactions relative to the operation of the water and sewer use for the Township of West Branch.

Water #2 Fund - This fund is used to record transactions relative to the I-75 project from Cook Road to M-55 and for future service connections.

Fiduciary Fund

Fiduciary fund reporting focuses on net position and changes in net position. The Township's agency fund accounts for assets held by the Township for political subdivisions in which the Township acts as fiscal agent for others. The Township uses this fund to account for property tax collections.

F. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus.

All assets and all liabilities associated with the operation of the Township are included on the statement of net position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenue, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financial sources) and uses (i.e., expenditures and other financial uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Measurement Focus (Continued)

Like the government-wide financial statements, the enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in revenue, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows reflects how the Township finances and meets the cash flow needs of its enterprise activities.

G. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide, proprietary and fiduciary funds financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unavailable revenue as deferred inflows of resources, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Township, available means expected to be received within 60 days of the fiscal year-end.

Nonexchange transactions, in which the Township receives value without directly giving equal value in return, include property taxes, sales taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from sales taxes is recognized in the period in which the sales are made. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Township must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Township on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: charges for services, fines and forfeitures, state-levied locally shared taxes (including sales tax), interest, grants and rent.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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/expenditure) until then. The government does not have any items that qualify for reporting in this category.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Basis of Accounting (Continued)

In addition to liabilities, the statement of financial 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. The government has one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

H. Cash and Cash Equivalents

For presentation on the financial statements, investments in the cash management pools and investments with an original maturity of three months or less at the time they are purchased by the Township are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Investments are reported at fair value, except for repurchase agreements and certificates of deposit which are reported at cost which approximates fair value. Fair value is based on quoted market prices. Mutual funds are reported at current share price.

I. Receivables

Receivables generally consist of accounts (fees), taxes, special assessments, and charges for sewer and water services due from various customers. All receivables are net of estimated uncollectible accounts. Receivables are recognized to the extent the amounts are determined material and substantiated, not only by supporting documentation but also by a reasonable systematic method of determining their existence, completeness, valuation, and collectability.

The balances consist primarily of water and sewer charges receivable, special assessments due, and delinquent property taxes receivable.

The allowance for doubtful accounts at March 31, 2013 was \$0 for the primary government and the component unit.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Interfund Receivables and Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "due from/to other funds". Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position. The only interfund balances which remain on the government-wide statement of net position are those between governmental and business-type activities. These amounts are reflected as "Internal Balances".

K. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column of the government-wide statement of net position and in the respective funds.

Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 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.

The Township's infrastructure consists of water and sewer lines. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Descriptions</u>	<u>Estimated Lives</u>
Buildings	39 years
Building Improvements	15 years
Water and Sewer Lines	15 - 50 years
Machinery and Equipment	5 - 7 years

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise fund are reported on the enterprise fund statement. In general, payables and accrued liabilities that will be paid from governmental funds are reported as a liability in the fund financial statements at the time they are incurred, to the extent that they will be paid from current, expendable, financial resources. However, bonds and other long-term obligations, compensated absences, claims and judgments, contractually required pension contributions and special termination benefits that are paid from governmental funds are recognized as liabilities in the fund financial statements only to the extent that they are due for payment during the current year.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The Township reports three categories of net position as follows:

Net investment in capital assets - consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increase by balances of deferred outflows of resources related to those assets.

Restricted net position - net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the Township's bonds. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position - consists of all other net position that does not meet the definition of the above two components and is available for general use by the Township.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, management applies restricted net position first, unless a determination is made to use unrestricted net position. The Township's policy concerning which to apply first varies with the intended use and legal requirements. Management typically makes this decision on a transactional basis at the incurrence of the expenditure.

N. Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form—pre-paid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Township Board—the Township's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Township Board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts constrained by the Township's "intent" to be used for specific purposes, but are neither restricted nor committed. The Township Board or personnel authorized by the Board have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed. If any portion of existing fund balance will be used to eliminate a projected deficit in the budget for the subsequent year, this amount will also be categorized as Assigned fund balance.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Fund Balances (Continued)

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the Township will use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the Township, these revenues are charges for services for water and sewer usage. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

P. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year ended March 31, 2013.

R. Budgets and Budgetary Accounting

The Township of West Branch normally follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to March 1, the Township Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. This operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the governmental center to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted through passage of an ordinance.
4. All budget appropriations lapse at year-end. Budgetary amounts reported herein are as originally adopted, and as amended by the Township Board throughout the operating year.

The Township adopts budgets for the General Fund and Special Revenue Fund.

The budgets of the Township are prepared on the same basis of accounting as the financial statement presentation. The budgets were adopted at the activity level.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Budgets and Budgetary Accounting (Continued)

The legal level of control is at the activity level for the General Fund and Special Revenue Fund.

Revisions that alter the total expenditures of any fund or total department expenditures must be approved by the Township Board. The financial statements include budgetary amounts as amended.

S. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

T. Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES

Change in Accounting Principles

For 2013, the Township has implemented Governmental Accounting Standards Board (GASB) Statement Number 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities".

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The Statement amends the net asset reporting requirements in GASB Statement No. 34 and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

GASB Statement No. 65 establishes standards that reclassify and recognize certain items that were previously reported as assets and liabilities, as deferred outflows of resources or deferred inflows of resources. GASB No. 65 also provides guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in major fund determination and limited use of the term deferred in financial statement presentations.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2013

NOTE 3 - DEPOSITS AND INVESTMENTS

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>Business- Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Cash and Cash Equivalents	\$ 695,726	\$ 314,748	\$ 2,478	\$ 1,012,952	\$ 140,621
Investments	<u>91,317</u>	<u>810,284</u>	<u>0</u>	<u>901,601</u>	<u>0</u>
Total	<u>\$ 787,043</u>	<u>\$ 1,125,032</u>	<u>\$ 2,478</u>	<u>\$ 1,914,553</u>	<u>\$ 140,621</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Component Unit</u>
Bank Deposits (Checking and Savings Accounts and Certificates of Deposit)	\$ 984,109	\$ 140,621
Investments in Municipal Investment Account Pooled Funds and Repurchase Agreement Securities and Similar Vehicles	930,394	0
Petty Cash and Cash on Hand	<u>50</u>	<u>0</u>
Total	<u>\$ 1,914,553</u>	<u>\$ 140,621</u>

As of March 31, 2013, the Township had the following investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Specific Identification Maturities</u>
Primary Government: Investment Pools	\$ 462,057	Daily
Repurchase Agreements - Public Funds	<u>468,337</u>	Daily
	<u>\$ 930,394</u>	

Credit Risk

State law authorizes investments in accordance with Act 196, PA 1997 and in investment pools as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a local government unit in Michigan. The Township's MBIA Asset Management Group investment pools are rated AAAM by Standard and Poor's. The Township's repurchase sweep accounts at Firstbank are unrated.

Custodial Credit Risk - Deposits - Primary Government

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, 2013, \$207,109 of the Township's bank balance of \$984,550 was exposed to custodial credit risk because it was uninsured and uncollateralized.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2013

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk - Deposits - Component Unit

In the case of deposits, this is the risk that in the event of a bank failure, the component unit's deposits may not be returned to it. As of March 31, 2013, \$0 of the Downtown Development Authority's bank balance of \$141,334 was exposed to custodial credit risk.

Concentration of Credit Risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk – Investments

For an investment, 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.

The Township will minimize custodial credit risk, by; limiting investments to the types of securities approved in the Township's investment policy which is in accordance with State law, and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Township will do business.

Foreign Currency Risk

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

Investments

The Township Board has adopted an investment policy in accordance with Act 196, PA 1997 which authorizes the Township to deposit and invest in the following:

- λ Accounts of federally insured banks, credit unions and savings and loan associations
- λ Bonds and other direct obligations of the United States or an agency or instrumentality of the United States
- λ United States government or federal agency obligation repurchase agreements
- λ Banker's acceptances of United States banks
- Commercial paper rated within the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase
- Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation

Michigan law requires that public funds may not be deposited in financial institutions that do not maintain an office in Michigan. The Township's deposits and investments are in accordance with statutory authority.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2013

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables as of March 31, 2013 were as follows:

Fund	Interfund Receivable	Interfund Payable
Major Governmental Funds:		
General Fund	\$ 20,570	\$ 0
Refinery Redevelopment Fund	5,570	0
Total Major Governmental Funds	26,140	0
Major Enterprise Funds:		
Water and Sanitary Sewer Fund	105,967	45,140
Water #2 Fund	0	86,967
Total Major Enterprise Funds	105,967	132,107
	\$ 132,107	\$ 132,107
<u>Due to Component Unit</u>	<u>Due from Primary Government</u>	
General Fund	\$ 5,667	Downtown Development Authority \$ 5,667

These balances result from the time lag between the dates that interfund goods and services are provided, transactions are recorded in the accounting system, and payments between funds are made.

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the primary government for the fiscal year ended March 31, 2013, was as follows:

	Balance 04/01/12	Additions	Deletions	Balance 03/31/13
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 36,436	\$ 0	\$ 0	\$ 36,436
Capital Assets Being Depreciated:				
Land Improvements	2,350	0	0	2,350
Buildings and Improvements	44,860	0	0	44,860
Machinery and Equipment	19,582	4,695	(3,995)	20,282
Subtotal	66,792	4,695	(3,995)	67,492
Less Accumulated Depreciation for:				
Land Improvements	(1,309)	(139)	0	(1,448)
Buildings and Improvements	(14,942)	(894)	0	(15,836)
Machinery and Equipment	(18,768)	(663)	3,594	(15,837)
Subtotal	(35,019)	(1,696)	3,594	(33,121)
Capital Assets Being Depreciated	31,773	2,999	(401)	34,371
Governmental Activities Total	68,209	2,999	(401)	70,807
Capital Assets - Net of Depreciation	\$ 68,209	\$ 2,999	\$ (401)	\$ 70,807

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2013

NOTE 5 - CAPITAL ASSETS (CONTINUED)

	Balance 04/01/12	Additions	Deletions	Balance 03/31/13
<u>Business-Type Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 26,700	\$ 0	\$ 0	\$ 26,700
Capital Assets Being Depreciated:				
Machinery and Equipment	2,243	0	0	2,243
Distribution and Collection Systems	5,448,884	0	0	5,448,884
Subtotal	5,451,127	0	0	5,451,127
Less Accumulated Depreciation for:				
Machinery and Equipment	(187)	(748)	0	(935)
Distribution and Collection Systems	(1,817,040)	(132,080)	0	(1,949,120)
Subtotal	(1,817,227)	(132,828)	0	(1,950,055)
Capital Assets Being Depreciated	3,633,900	(132,828)	0	3,501,072
Business-Type Activities Total	\$ 3,660,600	\$ (132,828)	\$ 0	\$ 3,527,772
Capital Assets - Net of Depreciation	\$ 3,660,600	\$ (132,828)	\$ 0	\$ 3,527,772

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities

General Government:

Other General Government \$ 1,696

Business-Type Activities

Water and Sewer \$ 94,644

Water #2 38,184

Total Business-Type Activities \$ 132,828

Capital asset activity of the Downtown Development Authority for the current year is as follows:

	Balance 04/01/12	Additions	Deletions	Balance 03/31/13
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ 21,889	\$ 412,710	\$ 0	\$ 434,599
Capital Assets Being Depreciated				
	0	0	0	0
Governmental Activities Total	\$ 21,889	\$ 412,710	\$ 0	\$ 434,599
Capital Assets - Net of Depreciation	\$ 21,889	\$ 412,710	\$ 0	\$ 434,599

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2013

NOTE 6 - LONG-TERM LIABILITIES

Primary Government:

A. Notes Payable

	<u>Governmental</u>	<u>Business-Type</u>
Brownfield Redevelopment Note for the Mulch Manufacturing Project. The \$118,000 note dated June 20, 2007, with the Michigan Department of Environmental Quality, bears interest at 2% and is due in annual installments through 2022.	\$ <u>106,179</u>	\$ <u>0</u>

B. Contracts Payable

	<u>Governmental</u>	<u>Business-Type</u>
Water supply system agreement through Ogemaw County to finance the construction of the water supply system in West Branch Township. The construction was funded with the proceeds of the \$1,400,000 Ogemaw County - West Branch Water System Bonds, dated April 1, 1993, due in annual installments through May 1, 2013, bearing interest at the rate of 5.6%.	\$ 0	\$ 70,000
Sewer system agreement to finance the cost of the construction and operation of a sewage treatment facility to service three municipalities. The project was funded with the proceeds from two Limited Tax General Obligation Bonds, Series 2009 A and Series 2009 B held by the West Branch Area Wastewater Treatment Plant Authority. The contract will be due to the Authority in semi-annual installments through June 1, 2049, bearing interest at 2.50%.	<u>0</u>	<u>2,961,273</u>
Total Contracts Payable	<u>0</u>	<u>3,031,273</u>
Total Primary Government	<u>\$ 106,179</u>	<u>\$ 3,031,273</u>

C. Changes in Long-Term Liabilities

The following is a summary of long-term debt transactions of the Township for the year ended March 31, 2013:

	<u>Balance</u> <u>04/01/12</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments or</u> <u>Expenditures</u>	<u>Balance</u> <u>03/31/13</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental Activities</u>					
Primary Government:					
Notes Payable	\$ <u>118,000</u>	\$ <u>0</u>	\$ <u>(11,821)</u>	\$ <u>106,179</u>	\$ <u>9,697</u>

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2013

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

C. Changes in Long-Term Liabilities (Continued)

<u>Business-Type Activities</u>	<u>Balance</u> <u>04/01/12</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments or</u> <u>Expenditures</u>	<u>Balance</u> <u>03/31/13</u>	<u>Due Within</u> <u>One Year</u>
Primary Government:					
Bonds Payable	\$ 120,000	\$ 0	\$ (120,000)	\$ 0	\$ 0
Deferred Amounts on Issuance Discount	<u>(1,078)</u>	<u>0</u>	<u>1,078</u>	<u>0</u>	<u>0</u>
Total Bonds Payable, Net	118,922	0	(118,922)	0	0
Contracts Payable	<u>3,119,626</u>	<u>28,578</u>	<u>(116,931)</u>	<u>3,031,273</u>	<u>160,663</u>
Total Primary Government	<u>\$ 3,238,548</u>	<u>\$ 28,578</u>	<u>\$ (235,853)</u>	<u>\$ 3,031,273</u>	<u>\$ 160,663</u>

The interest expense on long-term obligations for the year was \$86,350.

The annual aggregate maturities for all debt outstanding as of March 31, 2013 are as follows:

Primary Government

Contracts Payable

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2014	\$ 0	\$ 0	\$ 160,663	\$ 44,542	\$ 205,205
2015	0	0	61,093	71,514	132,607
2016	0	0	61,989	69,969	131,958
2017	0	0	62,899	68,401	131,300
2018	0	0	63,822	66,810	130,632
2019 - 2023	0	0	333,437	309,363	642,800
2024 - 2028	0	0	358,631	265,947	624,578
2029 - 2033	0	0	385,728	219,251	604,979
2034 - 2038	0	0	414,874	169,027	583,901
2039 - 2043	0	0	446,221	115,007	561,228
2044 - 2048	0	0	479,937	56,905	536,842
2049 - 2050	<u>0</u>	<u>0</u>	<u>201,979</u>	<u>5,521</u>	<u>207,500</u>
Total	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,031,273</u>	<u>\$ 1,462,257</u>	<u>\$ 4,493,530</u>

Notes Payable

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2014	\$ 9,697	\$ 2,124	\$ 0	\$ 0	\$ 11,821
2015	9,891	1,930	0	0	11,821
2016	10,089	1,732	0	0	11,821
2017	10,291	1,530	0	0	11,821
2018	10,496	1,324	0	0	11,820
2019 - 2023	<u>55,715</u>	<u>3,386</u>	<u>0</u>	<u>0</u>	<u>59,101</u>
Total	<u>\$ 106,179</u>	<u>\$ 12,026</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 118,205</u>

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2013

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real property and tangible personal property located in the Township. Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the County tax rolls. For the current year, the taxable value for properties located within the Township was \$110,671,758. The tax rates were .9041 mills for operating.

NOTE 8 - OPERATING TRANSFERS

During the year ended March 31, 2013, the following transfers were made:

Description	Operating Transfers In	Operating Transfers Out
<u>Major Funds</u>		
Major Governmental Funds:		
General Fund	\$ 11,821	\$ 5,007
Refinery Redevelopment Fund	0	9,488
Major Business-Type Activity Fund:		
Water and Sanitary Sewer Fund	14,495	11,821
Total Major Funds	\$ 26,316	\$ 26,316

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 9 - EXCESS OF EXPENDITURES OVER APPROPRIATION IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted at the activity level.

During the year ended March 31, 2013, the Township incurred expenditures which were in excess of the amounts appropriated as follows:

<u>Fund/Activity</u>	Total Appropriations	Amount of Expenditures	Budget Variance
General Fund/Chief Executive	\$ 17,460	\$ 17,655	\$ 195
General Fund/Capital Outlay	\$ 2,000	\$ 6,478	\$ 4,478
General Fund/Debt Service/Principal	\$ 0	\$ 11,821	\$ 11,821
General Fund/Operating Transfers Out	\$ 0	\$ 5,007	\$ 5,007

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2013

NOTE 10 - RETIREMENT PLAN

The Township has a defined contribution pension plan with Farm Bureau Insurance effective in 1991. All full-time employees are covered under the plan. Eligibility to become a participant is limited to those employees who, on the effective date, have attained age 18. Vesting is 100% upon entering the plan. The Township is required to contribute an amount equal to 15.0% of the employee's gross earnings.

During the year ended March 31, 2013, the Township contributed \$10,861 on behalf of eligible employees.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

NOTE 11 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries. The Township has purchased commercial insurance for medical benefits claims, general liability, excess liability, auto liability, trunkline liability, errors and omissions, physical damage (equipment, buildings and contents) and workers compensation. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 12 - SUBSEQUENT EVENTS

On May 8, 2013, the Township of West Branch approved a motion to transfer \$284,491 to the Downtown Development Authority to help finish the Pathway Project to be repaid over the next five years. As of the report date, this has not yet been accepted by the DDA and therefore has not yet been physically transferred.

Subsequent to year end, the Township of West Branch entered into three additional contracts related to the current Streetscape Project as follows:

	<u>Date Awarded</u>	<u>Total Contract</u>
Pathway Project		
Finished Concrete	5/1/2013	\$ 47,900
Streetlight Project		
Rauhorn Electric	4/17/2013	\$ 197,631
Robert C. Shaver Co.	4/17/2013	\$ 28,630

NOTE 13 - RELATED PARTY TRANSACTIONS

The Township of West Branch uses Lapham Associates as a vendor for various projects. Lapham Associates is considered to be a related party to the Township of West Branch due to the Chairman of the Planning Commission, of the Township, being employed by Lapham Associates. During the current year, Lapham Associates was paid \$30,318 for the current Streetscape Project, \$4,573 for work on the Township's Master Plan, and \$2,012 for work with miscellaneous planning and zoning issues. In addition, as noted in Note 14 below, an outstanding commitment with Lapham Associates existed at year end for a total of \$27,933.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2013

NOTE 14 - COMMITMENTS

The Township has contractual commitments in the amount of \$36,113 outstanding at March 31, 2013 related to the current Streetscape Project as follows:

<u>Project</u>	<u>Total Contract</u>	<u>Remaining Construction Commitment at March 31, 2013</u>	<u>Contract Payable at March 31, 2013</u>
Pathway Project - S. Hock Painting, LLC	\$ 8,180	\$ 8,180	\$ 0
Engineering - Lapham Associates	<u>70,000</u>	<u>27,933</u>	<u>0</u>
Total	<u>\$ 78,180</u>	<u>\$ 36,113</u>	<u>\$ 0</u>

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended March 31, 2013

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenue</u>				
Property Taxes	\$ 121,990	\$ 121,990	\$ 137,643	\$ 15,653
State Shared Revenue	173,500	173,500	191,865	18,365
Licenses and Permits	1,250	1,250	1,543	293
Charges for Services	17,000	17,000	15,674	(1,326)
Interest and Rentals	1,500	1,500	3,794	2,294
Special Assessments	20,124	20,124	16,821	(3,303)
Other Revenue	6,270	6,270	4,913	(1,357)
Total Revenue	341,634	341,634	372,253	30,619
<u>Expenditures</u>				
Current:				
General Government:				
Legislative	49,975	50,575	35,863	14,712
Chief Executive	17,460	17,460	17,655	(195)
Financial and Tax Administration	78,873	78,873	71,296	7,577
Other General Government	28,760	28,760	19,044	9,716
Public Safety	45,000	45,000	43,080	1,920
Public Works	135,474	135,474	61,410	74,064
Community and Economic Development	22,925	24,825	13,255	11,570
Capital Outlay	2,000	2,000	6,478	(4,478)
Debt Service:				
Principal	0	0	11,821	(11,821)
Total Expenditures	380,467	382,967	279,902	103,065
Excess of Revenue Over (Under) Expenditures	(38,833)	(41,333)	92,351	133,684
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	0	0	11,821	11,821
Operating Transfers Out	0	0	(5,007)	(5,007)
Total Other Financing Sources (Uses)	0	0	6,814	6,814
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	(38,833)	(41,333)	99,165	140,498
Fund Balances - Beginning of Year	651,472	651,472	651,472	0
Fund Balances - End of Year	\$ 612,639	\$ 610,139	\$ 750,637	\$ 140,498

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 GYPSY MOTH FUND - SPECIAL REVENUE FUND
For the Year Ended March 31, 2013

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenue</u>				
Interest and Rentals	\$ 1,000	\$ 1,000	\$ 284	\$ (716)
Expenditures	0	0	0	0
Excess of Revenue Over Expenditures	1,000	1,000	284	(716)
Fund Balances - Beginning of Year	<u>78,468</u>	<u>78,468</u>	<u>78,468</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 79,468</u>	<u>\$ 79,468</u>	<u>\$ 78,752</u>	<u>\$ (716)</u>

OTHER INFORMATION

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

BALANCE SHEET
DOWNTOWN DEVELOPMENT AUTHORITY - COMPONENT UNIT
GOVERNMENTAL FUND
March 31, 2013

	<u>Downtown Development Authority</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 140,621
Due from Primary Government	<u>5,667</u>
Total Assets	<u>\$ 146,288</u>
<u>LIABILITIES AND FUND EQUITY</u>	
Liabilities	\$ <u>0</u>
<u>Fund Equity</u>	
Fund Balance:	
Restricted For:	
Economic Development	<u>146,288</u>
Total Liabilities and Fund Equity	<u>\$ 146,288</u>

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

DOWNTOWN DEVELOPMENT AUTHORITY - COMPONENT UNIT -
RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION
March 31, 2013

Total Governmental Fund Balances	\$	146,288
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. Capital assets at year end consist of:		
Construction in Progress		<u>434,599</u>
Total Net Position - Governmental Activities	\$	<u><u>580,887</u></u>

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCES -
DOWNTOWN DEVELOPMENT AUTHORITY - COMPONENT UNIT - GOVERNMENTAL FUND
For the Year Ended March 31, 2013

	<u>Downtown Development Authority</u>
<u>Revenue</u>	
Property Taxes	\$ 317,642
Interest and Rentals	1,009
Other Revenue	<u>27</u>
Total Revenue	<u>318,678</u>
<u>Expenditures</u>	
Current:	
Community and Economic Development	19,339
Capital Outlay	<u>412,710</u>
Total Expenditures	<u>432,049</u>
Excess of Revenue Over (Under) Expenditures	(113,371)
<u>Other Financing Uses</u>	
Operating Transfers to Primary Government	<u>(203,078)</u>
Excess of Revenue Over (Under) Expenditures and Other Uses	(316,449)
Fund Balances - Beginning of Year	<u>462,737</u>
Fund Balances - End of Year	<u>\$ 146,288</u>

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

DOWNTOWN DEVELOPMENT AUTHORITY - COMPONENT UNIT -
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2013

Total Net Change in Fund Balances - Governmental Funds	\$ (316,449)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital Outlay	<u>412,710</u>
Change in Net Position of Governmental Activities	<u>\$ 96,261</u>



Stephenson, Gracik & Co., P.C.
Certified Public Accountants & Consultants

Alan J. Stephenson, CPA
Gerald D. Gracik Jr., CPA
James J. Gracik, CPA
Donald W. Brannan, CPA
Kyle E. Troyer, CPA

May 17, 2013

Management and the Township Board
Township of West Branch
Ogemaw County, Michigan

We have audited the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Township of West Branch for the year ended March 31, 2013 and have issued our report dated May 17, 2013. 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. The appendices to this letter set forth those communications as follows:

I Communication with Those Charged with Governance

II Management Comments

We discussed these matters with various personnel of the Township during the audit and met with management on May 17, 2013. 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, others within the Township and the Michigan Department of Treasury, and are not intended to be and should not be used by anyone other than those specified parties.

Very truly yours,

Stephenson, Gracik & Co., P.C.

**APPENDIX I
COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated November 30, 2012, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit as outlined in our engagement letter related to planning matters dated November 30, 2012.

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 of West Branch are described in Note 1 to the financial statements. As described in Note 2 to the financial statements, the Authority changed their accounting policies by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and No. 65, "Items Previously Reported as Assets and Liabilities" in fiscal year 2013. We noted no transactions entered into by the Township 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 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 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 adjustments identified during the audit have been communicated to management. A summary of audit differences, both adjusted and unadjusted was provided to management on May 17, 2013. Management has determined that the effects of the unadjusted audit differences are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

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.

**APPENDIX I
COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

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 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 governmental unit’s financial statements or a determination of the type of auditors’ 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.

Other Matters

With respect to the supplementary information accompanying the financial statements, 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.

APPENDIX II MANAGEMENT COMMENTS

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Township of West Branch as of and for the year ended March 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of West Branch's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of West Branch's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of West Branch'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 a 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 the Township of West Branch's internal control to be material weaknesses:

FINANCIAL STATEMENT PREPARATION CONTROLS

In conjunction with our audit, we have been contracted to prepare the financial statements and related disclosures based on the information provided to us by Management. We would like to stress that this service is allowable under AICPA ethics guidelines and may be the most efficient and effective method for preparation of the Township's financial statements. However, if at any point in the audit we as auditors are part of the Township's control system for producing reliable financial statements, auditing standards indicate that the Township has a control deficiency. If Management is not able to prepare financial statements, including disclosures, and the auditors are contracted to prepare these statements, this is considered a control deficiency. We recommend that Management and those charged with governance evaluate and document their decision on the costs and benefits of whether to contract for this service with our firm.

SEGREGATION OF DUTIES

Internal controls are designed to safeguard assets and help or detect losses from employee dishonesty or error. A fundamental concept in a good system of internal control is the segregation of duties. Although the size of the Township's staff prohibits complete adherence to this concept, we believe that implementing the following practice could greatly improve existing internal control without impairing efficiency. Bank statements (including copies of canceled checks and appropriate advices) should be received directly by someone other than the employee maintaining the cash records. Such items should be reviewed prior to turning them over for reconciliation. This review should be documented with initialing and dating of the bank statement. Unusual items noted during the review should be investigated promptly.

**APPENDIX II
MANAGEMENT COMMENTS**

STATUS OF PRIOR YEAR COMMENTS:

We have reviewed the status of comments and recommendations made in the prior year. The status of prior year comments is as follows:

<u>Comment</u>	<u>Implemented/ Situation Corrected</u>	<u>Management Decision To Not Implement</u>	<u>Progress Made</u>	<u>Situation Still Exists</u>
Financial Statement Preparation		X		
Segregation of Duties - Utility Billing			X	