



Stephenson & Company, P.C.

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TOWNSHIP OF WEST BRANCH
OGEMAW COUNTY, MICHIGAN

AUDITORS' REPORT
YEAR ENDED MARCH 31, 2018

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AUDITORS' REPORT

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June 08, 2018

Independent Auditors' Report

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

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, 2018, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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, 2018, 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.

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 combining nonmajor and 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 combining nonmajor and 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 & Company, P.C.

Jim Delahanty (Supervisor) Ryan Veeder (Clerk) Diane Philbrick (Treasurer)
Donald Hodgins (Trustee) Debbie Buhlman (Trustee)

WEST BRANCH TOWNSHIP

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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, 2018. 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 \$5,716,226.
- The Township's total net position increased by \$69,000 compared to the prior year decrease of \$209,863. This increase was mainly the result of the Township incurring significant road project expenses of \$295,448 in the previous year compared to the current year expenses of \$69,307, plus the current year net proceeds of about \$62,500 from the senior citizen settlement.
- The Township's governmental funds reported a combined ending fund balance of \$1,202,062 this year, an increase of \$135,487. Of this amount, \$964,766 is available for spending (*unassigned fund balance*) on behalf of its citizens. The Township's General Fund 2017/2018 fiscal year end *fund balance* is \$1,004,534.
- One of the funds with significant change in operating results in the current year was the General fund, with a total increase of \$66,010 in net change in fund balance (compared to the prior year decrease of \$192,298). As noted above, the Township had significant road project expenditures of \$295,488 in the previous year. In addition, the prior year had hail damage related expenditures of \$18,581.
- Senior citizen fund, which is a new fund in the current year, also had significant changes. The Township received settlement from in total of \$86,455 and incurred expenses of \$24,251, resulting in a fund balance of \$62,240.

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 \$5,600,000.

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.

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 operation of the water use for the I-75 project from Cook Road to M-55 and 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, 2018 and 2017:

Net Position Summary

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>March 31, 2018</u>	<u>March 31, 2017</u>
Current Assets	\$ 1,215,310	\$ 1,230,994	\$ 2,446,304	\$ 2,471,257
Other Noncurrent Assets	0	2,912,271	2,912,271	3,029,696
Capital Assets Not Being Depreciated	43,536	26,700	70,236	70,236
Capital Assets – Net of Accum. Depreciation	<u>44,109</u>	<u>2,878,065</u>	<u>2,922,174</u>	<u>3,054,858</u>
Total Assets	<u>1,302,955</u>	<u>7,048,030</u>	<u>8,350,985</u>	<u>8,626,047</u>
Current Liabilities	14,115	49,871	63,986	230,217
Long-Term Liabilities	<u>55,715</u>	<u>2,515,058</u>	<u>2,570,773</u>	<u>2,748,604</u>
Total Liabilities	<u>69,830</u>	<u>2,564,929</u>	<u>2,634,759</u>	<u>2,978,821</u>
Net Position				
Net Investment in Capital Assets	87,645	2,904,765	2,992,410	3,125,094
Restricted	107,046	0	107,046	100,010
Unrestricted	<u>1,038,434</u>	<u>1,578,336</u>	<u>2,616,770</u>	<u>2,422,122</u>
Total Net Position	<u>\$ 1,233,125</u>	<u>\$ 4,483,101</u>	<u>\$ 5,716,226</u>	<u>\$ 5,647,226</u>

Summary of Changes in Net Position :

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 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.

Following is an analysis of the changes in net position for fiscal year 2018 with comparative totals for 2017.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>March 31, 2018</u>	<u>March 31, 2017</u>
Revenues:				
Program Revenues:				
Charges for Services	\$ 76,897	\$ 311,583	\$ 388,480	\$ 391,171
Operating Grants and Contributions	0	0	0	0
Capital Grants and Contributions	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Program Revenues	<u>76,897</u>	<u>311,583</u>	<u>388,480</u>	<u>391,171</u>
General Revenues:				
Property Taxes	101,089	0	101,089	102,429
State Revenue Sharing	210,392	0	210,392	205,903
Interest and Investment Earnings	9,417	2,079	11,496	10,122
Rent Income	528	18,905	19,433	18,963
Other	7,046	1,609	8,655	5,541
Transfers	<u>11,821</u>	<u>(11,821)</u>	<u>0</u>	<u>0</u>
Total General Revenues	<u>340,293</u>	<u>10,772</u>	<u>351,065</u>	<u>342,958</u>
Total Revenues	<u>417,190</u>	<u>322,355</u>	<u>739,545</u>	<u>734,129</u>
Program Expenses:				
General Government	154,687	0	154,687	155,650
Public Safety	47,746	0	47,746	47,541
Public Works	120,881	0	120,881	341,586
Community and Economic Development	6,945	0	6,945	4,560
Health and Welfare	24,346	0	24,346	0
Interest and Fees on Long-Term Debt	1,161	0	1,161	1,370
Water and Sanitary Sewer Services	0	327,978	327,978	306,262
Water #2 Services	<u>0</u>	<u>73,256</u>	<u>73,256</u>	<u>68,442</u>
Total Program Expenses	<u>355,766</u>	<u>401,234</u>	<u>757,000</u>	<u>925,411</u>
Change in Net Position Before Special Item	61,424	(78,879)	(17,455)	(191,282)
Special Item Proceeds (Loss)				
Hail Damage	0	0	0	(18,581)
Senior Citizen Settlement	<u>86,455</u>	<u>0</u>	<u>86,455</u>	<u>0</u>
Total Special Items	<u>86,455</u>	<u>0</u>	<u>86,455</u>	<u>(18,581)</u>
Change in Net Position	147,879	(78,879)	69,000	(209,863)

Summary of Changes in Net Position: (Continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>March 31, 2018</u>	<u>March 31, 2017</u>
Beginning Net Position	\$ 1,085,246	\$ 4,561,980	\$ 5,647,226	\$ 5,857,089
Ending Net Position	<u>\$ 1,233,125</u>	<u>\$ 4,483,101</u>	<u>\$ 5,716,226</u>	<u>\$ 5,647,226</u>

Governmental Activities

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

Total governmental activities reveal revenues of \$76,897 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 \$355,766 for these same activities. The largest expenses were incurred by Public Works (\$120,881) and General Government offices (\$154,687).

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.

This year’s Township audit shows 4 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, 2018, 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 \$405,090. That amount is above both the original and final amended budget estimates of \$382,622 and \$382,622 respectively, primarily due to receiving additional state revenue sharing than anticipated.

The actual expenditures of the General Fund were \$368,158, which is below the original budget estimate of \$633,866 and final budget estimate of \$689,567. The variance between the final budget and actual expenditures was due primarily to decreased costs for public works (road construction), as well as a decrease in general government (cemetery repairs and maintenance, buildings and grounds repairs and maintenance, elections, and Township board expenditures).

The General Fund had total revenues of \$405,090 and total expenditures of \$368,158 with an ending fund balance of \$1,004,534.

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 \$126,357 and ending balance was \$132,312. Governmental Activities Total Capital Assets – Net of Depreciation ending balance was \$87,645. Capital additions consisted of the purchase BS&A software for \$5,995. There were no capital asset disposals in the year ended March 31, 2018.

Capital Assets – Business-Type Activities beginning and ending balance was \$5,519,706. Business-Type Activities Total Capital Assets – Net of Depreciation ending balance was \$2,904,765. There were no capital asset additions or disposals in the year ended March 31, 2018.

An expanded and detailed presentation of capital assets may be seen in Note 4 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. Due to decreased water usage at the Township, the Township's portion of the contract payable decreased by \$117,425. Payments are being made out of the Water and Sanitary Sewer Fund.

At year's end, long-term debt amounted to \$2,570,773. Such debt includes *Contracts Payable and Notes Payable*. An expanded and detailed presentation of long-term debt may be seen in Note 5 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 54%. 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 35% of the Township General Fund Revenues.

The major expenditures for the Township's General Fund are for General Government (41%), followed by Public Works (33%) and Public Safety (13%).

In the current year, the General Fund experienced a 7% 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, 2018

	Primary Government			Component Unit
	Governmental Activities	Business- Type Activities	Total	Downtown Development Authority
<u>Assets</u>				
Cash and Cash Equivalents (Note 2)	\$ 1,073,217	\$ 617,956	\$ 1,691,173	\$ 682,526
Investments (Note 2)	93,177	533,314	626,491	0
Receivables:				
Property Taxes	9,545	0	9,545	0
Accounts, Net	0	79,724	79,724	0
Due from Primary Government (Note 3)	0	0	0	5,333
Due from Local Units	1,634	0	1,634	0
Due from State	31,937	0	31,937	0
Inventory:				
Real Property Held for Sale	5,800	0	5,800	0
Noncurrent Assets:				
Investment in West Branch Area Wastewater Treatment Plant Authority (Note 1)	0	2,912,271	2,912,271	0
Capital Assets Not Being Depreciated (Note 4)	43,536	26,700	70,236	38,174
Capital Assets, Net of Accumulated Depreciation (Note 4)	44,109	2,878,065	2,922,174	909,983
Total Assets	1,302,955	7,048,030	8,350,985	1,636,016
<u>Liabilities</u>				
Accounts Payable	7,915	1,333	9,248	674
Due to Local Units	0	28,005	28,005	0
Due to Component Unit (Note 3)	5,333	0	5,333	0
Accrued Interest Payable	867	20,533	21,400	3,515
Long Term Liabilities: (Note 5)				
Due Within One Year	10,706	51,060	61,766	20,000
Due In More Than One Year	45,009	2,463,998	2,509,007	221,000
Total Liabilities	69,830	2,564,929	2,634,759	245,189
<u>Net Position</u>				
Net Investment in Capital Assets	87,645	2,904,765	2,992,410	707,157
Restricted For:				
Gypsy Moth Suppression and Control	52,005	0	52,005	0
Economic Development	0	0	0	683,670
Capital Projects	55,041	0	55,041	0
Unrestricted	1,038,434	1,578,336	2,616,770	0
Total Net Position	\$ 1,233,125	\$ 4,483,101	\$ 5,716,226	\$ 1,390,827

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, 2018

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	
<u>Primary Government</u>								
Governmental Activities:								
General Government:								
Legislative and Executive	\$ 54,800	\$ 0	\$ 0	\$ 0	\$ (54,800)	\$ 0	\$ (54,800)	
Financial and Tax								
Administration	78,542	42,055	0	0	(36,487)	0	(36,487)	
Other General Government	21,345	600	0	0	(20,745)	0	(20,745)	
Public Safety:								
Fire	47,746	0	0	0	(47,746)	0	(47,746)	
Public Works:								
Solid Waste	18,600	22,837	0	0	4,237	0	4,237	
Other Public Works	102,281	11,405	0	0	(90,876)	0	(90,876)	
Health and Welfare:								
Other Health and Welfare	24,346	0	0	0	(24,346)	0	(24,346)	
Community and Economic Development	6,945	0	0	0	(6,945)	0	(6,945)	
Interest and Fees on Long- Term Debt	1,161	0	0	0	(1,161)	0	(1,161)	
Total Governmental Activities	<u>355,766</u>	<u>76,897</u>	<u>0</u>	<u>0</u>	<u>(278,869)</u>	<u>0</u>	<u>(278,869)</u>	
Business-Type Activities:								
Water and Sanitary Sewer Services	327,978	246,159	0	0	0	(81,819)	(81,819)	
Water #2 Services	<u>73,256</u>	<u>65,424</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(7,832)</u>	<u>(7,832)</u>	
Total Business-Type Activities	<u>401,234</u>	<u>311,583</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(89,651)</u>	<u>(89,651)</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, 2018

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	
Total Primary Government	\$ <u>757,000</u>	\$ <u>388,480</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>(278,869)</u>	\$ <u>(89,651)</u>	\$ <u>(368,520)</u>	
<u>Component Unit</u> Downtown Development Authority	\$ <u>101,936</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>				\$ <u>(101,936)</u>
General Revenues:								
Property Taxes Levied For:								
General Operating					\$ 101,089	\$ 0	\$ 101,089	234,931
State Revenue Sharing					210,392	0	210,392	0
Federal Capital Grants					0	0	0	11,800
Interest and Investment Earnings					9,417	2,079	11,496	635
Rent Income					528	18,905	19,433	0
Other					7,046	1,609	8,655	312
Transfers					11,821	(11,821)	0	0
Special Item - Senior Citizen Settlement					86,455	0	86,455	0
Total General Revenues, Transfers and Special Item					<u>426,748</u>	<u>10,772</u>	<u>437,520</u>	<u>247,678</u>
Change in Net Position					147,879	(78,879)	69,000	145,742
Net Position - Beginning					<u>1,085,246</u>	<u>4,561,980</u>	<u>5,647,226</u>	<u>1,245,085</u>
Net Position - Ending					<u>\$ 1,233,125</u>	<u>\$ 4,483,101</u>	<u>\$ 5,716,226</u>	<u>\$ 1,390,827</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, 2018

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>			
Cash and Cash Equivalents (Note 2)	\$ 968,866	\$ 104,351	\$ 1,073,217
Investments (Note 2)	0	93,177	93,177
Receivables:			
Property Taxes	9,545	0	9,545
Due from Local Units (Note 3)	1,634	0	1,634
Due from State	31,937	0	31,937
Inventory:			
Real Property Held for Sale	5,800	0	5,800
 Total Assets	 \$ 1,017,782	 \$ 197,528	 \$ 1,215,310
<u>Liabilities</u>			
Accounts Payable	\$ 7,915	\$ 0	\$ 7,915
Due to Component Unit (Note 3)	5,333	0	5,333
Total Liabilities	13,248	0	13,248
<u>Fund Equity</u>			
Fund Balances:			
Nonspendable:			
Inventory	5,800	0	5,800
Restricted For:			
Gypsy Moth Suppression and Control	0	52,005	52,005
Capital Projects	0	55,041	55,041
Committed To:			
Gypsy Moth Suppression and Control	0	28,242	28,242
Senior Citizens	0	62,240	62,240
Assigned To:			
2018/2019 Budgeted Expenditures	33,968	0	33,968
Unassigned	964,766	0	964,766
Total Fund Equity	1,004,534	197,528	1,202,062
 Total Liabilities and Fund Equity	 \$ 1,017,782	 \$ 197,528	 \$ 1,215,310

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, 2018

Total Governmental Fund Balances	\$	1,202,062
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	\$	132,312
Accumulated Depreciation		<u>(44,667)</u>
		87,645
Accrued Interest on Long-Term Liabilities		(867)
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>(55,715)</u>
Total Net Position - Governmental Activities	\$	<u><u>1,233,125</u></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, 2018

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenue</u>			
Property Taxes	\$ 140,144	\$ 0	\$ 140,144
State Shared Revenue	218,733	0	218,733
Charges for Services	26,437	0	26,437
Interest and Rentals	9,666	279	9,945
Other Revenue	10,110	0	10,110
Total Revenue	405,090	279	405,369
<u>Expenditures</u>			
Current:			
General Government:			
Legislative	34,096	0	34,096
Chief Executive	20,704	0	20,704
Financial and Tax Administration	78,542	0	78,542
Other General Government	17,123	0	17,123
Public Safety	47,746	0	47,746
Public Works	120,881	0	120,881
Health and Welfare	24,346	0	24,346
Community and Economic Development	6,945	0	6,945
Capital Outlay	5,955	0	5,955
Debt Service:			
Principal	10,496	0	10,496
Interest and Fiscal Charges	1,324	0	1,324
Total Expenditures	368,158	0	368,158
Excess of Revenue Over (Under) Expenditures	36,932	279	37,211
<u>Other Financing Sources (Uses)</u>			
Operating Transfers In (Note 7)	36,072	6,994	43,066
Operating Transfers Out (Note 7)	(6,994)	(24,251)	(31,245)
Total Other Financing Sources (Uses)	29,078	(17,257)	11,821
<u>Special Item</u>			
Senior Citizen Settlement	0	86,455	86,455
Net Change in Fund Balances	66,010	69,477	135,487
Fund Balances - Beginning of Year	938,524	128,051	1,066,575
Fund Balances - End of Year	\$ 1,004,534	\$ 197,528	\$ 1,202,062

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, 2018

Total Net Change in Fund Balances - Governmental Funds	\$	135,487
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>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.</p>		
Capital Outlay	\$	5,955
Current Year Depreciation Expense		<u>(4,222)</u>
Net Difference		1,733
<p>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:</p>		
Notes Payable		10,496
<p>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:</p>		
Net Change in Accrued Interest		<u>163</u>
Change in Net Position of Governmental Activities	\$	<u><u>147,879</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, 2018

	Enterprise Funds		
	Major Funds		
	Water and Sanitary Sewer Fund	Water #2 Fund	Total
<u>Assets</u>			
Current Assets:			
Cash and Cash Equivalents (Note 2)	\$ 135,631	\$ 482,325	\$ 617,956
Investments (Note 2)	428,852	104,462	533,314
Receivables:			
Accounts, Net	65,899	13,825	79,724
Total Current Assets	630,382	600,612	1,230,994
Noncurrent Assets:			
Investment in West Branch Area Wastewater Treatment Plant Authority (Note 1)	2,912,271	0	2,912,271
Capital Assets Not Being Depreciated (Note 4)	3,700	23,000	26,700
Capital Assets, Net of Accumulated Depreciation (Note 4)	1,779,227	1,098,838	2,878,065
Total Noncurrent Assets	4,695,198	1,121,838	5,817,036
Total Assets	5,325,580	1,722,450	7,048,030
<u>Liabilities</u>			
Current Liabilities:			
Accounts Payable	646	687	1,333
Due to Local Units	28,005	0	28,005
Accrued Interest Payable	20,533	0	20,533
Current Portion of Long-Term Liabilities (Note 5)	51,060	0	51,060
Total Current Liabilities	100,244	687	100,931
Long-Term Liabilities:			
Due in More Than One Year (Note 5)	2,463,998	0	2,463,998
Total Liabilities	2,564,242	687	2,564,929
<u>Net Position</u>			
Net Investment in Capital Assets	1,782,927	1,121,838	2,904,765
Unrestricted	978,411	599,925	1,578,336
Total Net Position	\$ 2,761,338	\$ 1,721,763	\$ 4,483,101

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, 2018

	Enterprise Funds		
	Major Funds		
	Water and Sanitary Sewer Fund	Water #2 Fund	Total
<u>Operating Revenue</u>			
Charges For Services	\$ 243,159	\$ 62,838	\$ 305,997
Service Connection Charges	3,000	0	3,000
Administrative Fees	0	2,586	2,586
Rentals	0	18,905	18,905
Other Revenue	211	1,398	1,609
Total Operating Revenue	<u>246,370</u>	<u>85,727</u>	<u>332,097</u>
<u>Operating Expenses</u>			
Salaries and Wages	8,892	7,811	16,703
Payroll Taxes and Employee Benefits	2,084	695	2,779
Depreciation and Amortization	93,896	40,521	134,417
Dues and Subscriptions	0	1,434	1,434
Insurance and Bonds	1,229	1,530	2,759
Operating Supplies	2,461	3,794	6,255
Postage	0	189	189
Printing and Advertising	0	39	39
Professional Fees and Services	8,177	7,083	15,260
Repair and Maintenance	462	254	716
Travel and Training	480	0	480
Utilities	7,103	9,906	17,009
Water Purchases	124,954	0	124,954
Total Operating Expenses	<u>249,738</u>	<u>73,256</u>	<u>322,994</u>
Operating Income (Loss)	<u>(3,368)</u>	<u>12,471</u>	<u>9,103</u>
<u>Nonoperating Revenue (Expenses)</u>			
Interest and Investment Earnings	767	1,312	2,079
Interest and Fees Expense	(78,240)	0	(78,240)
Total Nonoperating Revenue (Expenses)	<u>(77,473)</u>	<u>1,312</u>	<u>(76,161)</u>
Income (Loss) Before Operating Transfers	(80,841)	13,783	(67,058)
Operating Transfers Out (Note 7)	<u>(11,821)</u>	<u>0</u>	<u>(11,821)</u>
Change in Net Position	(92,662)	13,783	(78,879)
Net Position - Beginning of Year	<u>2,854,000</u>	<u>1,707,980</u>	<u>4,561,980</u>
Net Position - End of Year	<u>\$ 2,761,338</u>	<u>\$ 1,721,763</u>	<u>\$ 4,483,101</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, 2018

	Enterprise Funds		
	Major Funds		
	Water and Sanitary Sewer Fund	Water #2 Fund	Total
<u>Cash Flows From Operating Activities</u>			
Receipts From Customers	\$ 242,465	\$ 87,377	\$ 329,842
Payments to Suppliers for Goods and Services	(146,822)	(25,376)	(172,198)
Payments to Employees for Services	(10,976)	(8,506)	(19,482)
Net Cash Provided (Used) by Operating Activities	<u>84,667</u>	<u>53,495</u>	<u>138,162</u>
<u>Cash Flows From Non-Capital Financing Activities</u>			
Cash Received from (Paid to) Component Unit	0	56,900	56,900
Cash Received from (Paid to) Other funds	<u>23,193</u>	<u>(92,669)</u>	<u>(69,476)</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>23,193</u>	<u>(35,769)</u>	<u>(12,576)</u>
<u>Cash Flows From Capital and Related Financing Activities</u>			
Principal Paid on Long-Term Debt	(49,910)	0	(49,910)
Interest and Fees Paid on Long-Term Debt	<u>(65,830)</u>	<u>0</u>	<u>(65,830)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(115,740)</u>	<u>0</u>	<u>(115,740)</u>
<u>Cash Flows From Investing Activities</u>			
Interest on Investments	264	1,312	1,576
Proceeds from Maturity of Investment Securities	<u>50,000</u>	<u>0</u>	<u>50,000</u>
Net Cash Provided (Used) by Investing Activities	<u>50,264</u>	<u>1,312</u>	<u>51,576</u>
Net Increase (Decrease) in Cash and Cash Equivalents	42,384	19,038	61,422
Cash and Cash Equivalents at Beginning of Year (Note 2)	<u>93,247</u>	<u>463,287</u>	<u>556,534</u>
Cash and Cash Equivalents at End of Year (Note 2)	<u>\$ 135,631</u>	<u>\$ 482,325</u>	<u>\$ 617,956</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>			
Operating Income (Loss)	\$ (3,368)	\$ 12,471	\$ 9,103
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization Expense	93,896	40,521	134,417
Change in Assets and Liabilities:			
Accounts Receivable, Net	(3,905)	1,650	(2,255)
Accounts Payable and Accrued Liabilities	<u>(1,956)</u>	<u>(1,147)</u>	<u>(3,103)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 84,667</u>	<u>\$ 53,495</u>	<u>\$ 138,162</u>

Supplemental Disclosures:

Noncash Capital and Related Financing Activities

The Township recorded noncash activity by decreasing their investment in the West Branch Area Wastewater Treatment Plant Authority by \$117,425 through a decrease in the contract payable to the Authority of \$117,425 for a total investment of \$2,912,271.

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, 2018

	<u>Tax Collection Fund</u>
<u>Assets</u>	
Cash and Cash Equivalents (Note 2)	\$ <u><u>0</u></u>
<u>Liabilities</u>	
Due to Local Units	\$ <u><u>0</u></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, 2018

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 Ogemaw County, 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 primary government 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 impose its will on that organization or (2) there is a potential for the organization to provide a specific financial benefit to, or impose specific financial burdens on, the primary government.

In addition, the Township is also financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

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 a separate column 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, 2018

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 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, 2018 was \$47,626.

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 \$1,183,230 at December 31, 2017.

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 23.00% of the total bond issue as of June 30, 2017 of \$4,110,000 and \$8,410,000 or \$945,300 and \$1,934,300, respectively. Each entity's percentage of payback is based on actual gallon usage and is adjusted on an annual basis. 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 \$2,912,271. 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, 2018

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. Nonmajor funds are aggregated and presented in a single 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, 2018

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.

The other governmental funds of the Township accounts for and other resources whose use is restricted for a particular purpose; the accumulation of resources for, and the payment of debt.

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 operation of the water use for the I-75 project from Cook Road to M-55 and 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, 2018

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 that time.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2018

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.

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, 2018 was \$0 for the primary government and the component unit.

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. Inventory

Inventory represents the cost of real property held for future sale.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. 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 and Improvements	15 - 39 years
Machinery and Equipment	3 - 20 years
Distribution and Collection Systems	15 - 50 years

M. 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, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. 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 increased 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.

O. 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, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. 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.

P. 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.

Q. 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.

R. 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. During the fiscal year ended March 31, 2018, there was a special item present due to a debt settlement received from the City of West Branch, on behalf of the senior citizens, totaling \$86,455.

S. 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, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. 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.

T. 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.

U. Reclassifications

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

NOTE 2 - 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	\$ 1,073,217	\$ 617,956	\$ 0	\$ 1,691,173	\$ 682,526
Investments	<u>93,177</u>	<u>533,314</u>	<u>0</u>	<u>626,491</u>	<u>0</u>
Total	<u>\$ 1,166,394</u>	<u>\$ 1,151,270</u>	<u>\$ 0</u>	<u>\$ 2,317,664</u>	<u>\$ 682,526</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)	\$ 1,713,600	\$ 682,526
Investments in Municipal Investment Account Pooled Funds and Repurchase Agreement Securities and Similar Vehicles	603,550	0
Petty Cash and Cash on Hand	<u>514</u>	<u>0</u>
Total	<u>\$ 2,317,664</u>	<u>\$ 682,526</u>

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

As of March 31, 2018, the Township had the following investments.

Investment Type	Fair Value	Specific Identification Maturities
Primary Government: Investment Pools	\$ <u>603,550</u>	Daily

Interest Rate Risk

In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Township's known cash requirements.

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.

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, 2018, \$1,329,037 of the Township's bank balance of \$1,666,791 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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, 2018, \$497,270 of the Downtown Development Authority's bank balance of \$747,270 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Foreign Currency Risk

The Township's investment policy does not address foreign currency 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.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables as of March 31, 2018 were as follows:

DUE TO	DUE FROM General Fund
Downtown Development Authority - Component Unit	\$ 5,333

All balances owed are the result of 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.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2018

NOTE 4 - CAPITAL ASSETS

Capital asset activity of the primary government for the fiscal year ended March 31, 2018, was as follows:

	Balance 04/01/17	Additions	Deletions	Balance 03/31/18
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 43,536	\$ 0	\$ 0	\$ 43,536
Capital Assets Being Depreciated:				
Land Improvements	2,350	0	0	2,350
Buildings and Improvements	57,555	0	0	57,555
Machinery and Equipment	22,916	5,955	0	28,871
Subtotal	<u>82,821</u>	<u>5,955</u>	<u>0</u>	<u>88,776</u>
Less Accumulated Depreciation for:				
Land Improvements	(2,003)	(139)	0	(2,142)
Buildings and Improvements	(19,764)	(1,740)	0	(21,504)
Machinery and Equipment	(18,678)	(2,343)	0	(21,021)
Subtotal	<u>(40,445)</u>	<u>(4,222)</u>	<u>0</u>	<u>(44,667)</u>
Capital Assets Being Depreciated	<u>42,376</u>	<u>1,733</u>	<u>0</u>	<u>44,109</u>
Governmental Activities Total	<u>\$ 85,912</u>	<u>\$ 1,733</u>	<u>\$ 0</u>	<u>\$ 87,645</u>
Capital Assets - Net of Depreciation	<u>\$ 85,912</u>	<u>\$ 1,733</u>	<u>\$ 0</u>	<u>\$ 87,645</u>
	Balance 04/01/17	Additions	Deletions	Balance 03/31/18
<u>Business-Type Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 26,700	\$ 0	\$ 0	\$ 26,700
Capital Assets Being Depreciated:				
Machinery and Equipment	44,122	0	0	44,122
Distribution and Collection Systems	5,448,884	0	0	5,448,884
Subtotal	<u>5,493,006</u>	<u>0</u>	<u>0</u>	<u>5,493,006</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	(3,439)	(2,425)	0	(5,864)
Distribution and Collection Systems	(2,477,085)	(131,992)	0	(2,609,077)
Subtotal	<u>(2,480,524)</u>	<u>(134,417)</u>	<u>0</u>	<u>(2,614,941)</u>
Capital Assets Being Depreciated	<u>3,012,482</u>	<u>(134,417)</u>	<u>0</u>	<u>2,878,065</u>
Business-Type Activities Total	<u>\$ 3,039,182</u>	<u>\$ (134,417)</u>	<u>\$ 0</u>	<u>\$ 2,904,765</u>
Capital Assets - Net of Depreciation	<u>\$ 3,039,182</u>	<u>\$ (134,417)</u>	<u>\$ 0</u>	<u>\$ 2,904,765</u>

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2018

NOTE 4 - CAPITAL ASSETS (CONTINUED)

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

Governmental Activities

General Government:

Other General Government \$ 4,222

Business-Type Activities

Water and Sanitary Sewer \$ 93,896

Water #2 40,521

Total Business-Type Activities \$ 134,417

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

	Balance 04/01/17	Additions	Deletions	Balance 03/31/18
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ <u>38,174</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>38,174</u>
Capital Assets Being Depreciated:				
Land Improvements	1,142,538	0	0	1,142,538
Less Accumulated Depreciation for:				
Land Improvements	<u>(156,386)</u>	<u>(76,169)</u>	<u>0</u>	<u>(232,555)</u>
Capital Assets Being Depreciated	<u>986,152</u>	<u>(76,169)</u>	<u>0</u>	<u>909,983</u>
Governmental Activities Total				
Capital Assets - Net of Depreciation	<u>\$ 1,024,326</u>	<u>\$ (76,169)</u>	<u>\$ 0</u>	<u>\$ 948,157</u>

Depreciation expense was charged to programs of the Downtown Development Authority as follows:

Governmental Activities

Community and Economic Development \$ 76,169

NOTE 5 - LONG-TERM LIABILITIES

Primary Government:

A. Notes Payable

	Governmental	Business-Type
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.	\$ 55,715	\$ 0

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2018

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)

Primary Government: (Continued)

B. Contracts Payable

	<u>Governmental</u>	<u>Business-Type</u>
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>2,515,058</u>
Total Primary Government	\$ <u>55,715</u>	\$ <u>2,515,058</u>

Component Unit:

C. Bonds Payable

	<u>Governmental</u>	<u>Business-Type</u>
Township of West Branch Downtown Development Authority - \$330,000 Limited Tax General Obligation Bonds, Series 2013, dated February 19, 2014 for the purpose of paying the cost of streetscape improvements were entered into with the United States of America. The bonds bear interest at 3.5% and are due in annual installments through November 1, 2028.	\$ <u>241,000</u>	\$ <u>0</u>

D. Changes in Long-Term Liabilities

The following is a summary of long-term debt transactions of the Township for the year ended March 31, 2018:

	<u>Balance 04/01/17</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Balance 03/31/18</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>					
Primary Government:					
Notes Payable	\$ <u>66,211</u>	\$ <u>0</u>	\$ <u>(10,496)</u>	\$ <u>55,715</u>	\$ <u>10,706</u>
Component Unit:					
Bonds Payable	\$ <u>260,000</u>	\$ <u>0</u>	\$ <u>(19,000)</u>	\$ <u>241,000</u>	\$ <u>20,000</u>
<u>Business-Type Activities</u>					
Primary Government:					
Contracts Payable	\$ <u>2,682,393</u>	\$ <u>0</u>	\$ <u>(167,335)</u>	\$ <u>2,515,058</u>	\$ <u>51,060</u>

The interest expense on long-term obligations for the year was \$88,501.

The annual aggregate maturities for all debt outstanding as of March 31, 2018 are as follows:

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2018

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)

Primary Government

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2019	\$ 0	\$ 0	\$ 51,060	\$ 62,907	\$ 113,967
2020	0	0	52,440	61,609	114,049
2021	0	0	53,820	60,277	114,097
2022	0	0	55,200	58,911	114,111
2023	0	0	56,810	57,507	114,317
2024 - 2028	0	0	307,050	265,133	572,183
2029 - 2033	0	0	349,140	224,056	573,196
2034 - 2038	0	0	397,440	177,320	574,760
2039 - 2043	0	0	452,180	124,141	576,321
2044 - 2048	0	0	514,740	63,613	578,353
2049 - 2050	0	0	225,178	6,661	231,839
Total	\$ 0	\$ 0	\$ 2,515,058	\$ 1,162,135	\$ 3,677,193

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2019	\$ 10,706	\$ 1,114	\$ 0	\$ 0	\$ 11,820
2020	10,920	900	0	0	11,820
2021	11,139	682	0	0	11,821
2022	11,362	459	0	0	11,821
2023	11,588	231	0	0	11,819
Total	\$ 55,715	\$ 3,386	\$ 0	\$ 0	\$ 59,101

Component Unit

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2019	\$ 20,000	\$ 8,143	\$ 0	\$ 0	\$ 28,143
2020	20,000	7,443	0	0	27,443
2021	21,000	6,729	0	0	27,729
2022	22,000	5,979	0	0	27,979
2023	23,000	5,195	0	0	28,195
2024 - 2028	125,000	13,402	0	0	138,402
2029	10,000	204	0	0	10,204
Total	\$ 241,000	\$ 47,095	\$ 0	\$ 0	\$ 288,095

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2018

NOTE 6 - PROPERTY TAXES

Primary Government

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 \$112,320,760. The tax rates were .9041 mills for operating.

Component Unit

Property taxes include amounts levied against all real property and tangible personal property located in the Downtown Development District. 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 DDA was \$21,746,351. The tax rates were 10.8032 mills for operations.

NOTE 7 - OPERATING TRANSFERS

During the year ended March 31, 2018, the following transfers were made:

<u>TRANSFER TO</u>	<u>TRANSFER FROM</u>			<u>Total</u>
	<u>General Fund</u>	<u>Senior Citizen Fund</u>	<u>Water and Sanitary Fund</u>	
General Fund	\$ 0	\$ 24,251	\$ 11,821	\$ 36,072
Refinery Redevelopment Fund	<u>6,994</u>	<u>0</u>	<u>0</u>	<u>6,994</u>
Total	<u>\$ 6,994</u>	<u>\$ 24,251</u>	<u>\$ 11,821</u>	<u>\$ 43,066</u>

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 8 - 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.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2018

NOTE 8 - EXCESS OF EXPENDITURES OVER APPROPRIATION IN BUDGETARY FUNDS (CONTINUED)

During the year ended March 31, 2018, the Township incurred expenditures which were in excess of the amounts appropriated as follows:

<u>Fund/Activity</u>	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditures</u>	<u>Budget</u> <u>Variance</u>
<u>Component Unit</u>			
Downtown Development Authority/Principal	\$ 0	\$ 19,000	\$ (19,000)
Downtown Development Authority/Interest and Fiscal Charges	\$ 8,900	\$ 9,100	\$ (200)

NOTE 9 - 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, 2018, the Township contributed \$13,154 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 10 - 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 11 - COMMITMENTS

Component Unit

The DDA has contractual commitments in the amount of \$5,525 outstanding at March 31, 2018 related to the current projects as follows:

<u>Project</u>	<u>Total Contract</u>	<u>Remaining</u> <u>Construction</u> <u>Commitment at</u> <u>March 31, 2018</u>	<u>Contract Payable</u> <u>at</u> <u>March 31, 2018</u>
Wayfinding Project - Douglas Sign Company	\$ <u>13,499</u>	\$ <u>5,525</u>	\$ <u>674</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, 2018

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenue</u>				
Property Taxes	\$ 140,412	\$ 140,412	\$ 140,144	\$ (268)
State Shared Revenue	202,642	202,642	218,733	16,091
Licenses and Permits	918	918	0	(918)
Charges for Services	25,100	25,100	26,437	1,337
Interest and Rentals	7,050	7,050	9,666	2,616
Other Revenue	6,500	6,500	10,110	3,610
Total Revenue	<u>382,622</u>	<u>382,622</u>	<u>405,090</u>	<u>22,468</u>
<u>Expenditures</u>				
Current:				
General Government:				
Legislative	61,002	73,112	34,096	39,016
Chief Executive	23,340	23,740	20,704	3,036
Financial and Tax Administration	85,833	91,543	78,542	13,001
Other General Government	33,180	33,995	17,123	16,872
Public Safety	47,718	47,838	47,746	92
Public Works	352,207	364,207	120,881	243,326
Health and Welfare	0	25,000	24,346	654
Community and Economic Development	11,865	12,110	6,945	5,165
Capital Outlay	6,900	6,200	5,955	245
Debt Service:				
Principal	10,089	10,497	10,496	1
Interest and Fiscal Charges	1,732	1,325	1,324	1
Total Expenditures	<u>633,866</u>	<u>689,567</u>	<u>368,158</u>	<u>321,409</u>
Excess of Revenue Over (Under) Expenditures	<u>(251,244)</u>	<u>(306,945)</u>	<u>36,932</u>	<u>343,877</u>
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	258,386	265,567	36,072	(229,495)
Operating Transfers Out	(7,142)	(7,142)	(6,994)	148
Total Other Financing Sources (Uses)	<u>251,244</u>	<u>258,425</u>	<u>29,078</u>	<u>(229,347)</u>
Net Change in Fund Balances	0	(48,520)	66,010	114,530
Fund Balances - Beginning of Year	<u>938,524</u>	<u>938,524</u>	<u>938,524</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 938,524</u>	<u>\$ 890,004</u>	<u>\$ 1,004,534</u>	<u>\$ 114,530</u>

OTHER INFORMATION

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
March 31, 2018

	Special Revenue Funds			Total Other Governmental Funds
	Gypsy Moth Fund	Refinery Redevelopment Fund	Senior Citizen Fund	
<u>Assets</u>				
Cash and Cash Equivalents	\$ 0	\$ 42,111	\$ 62,240	\$ 104,351
Investments	80,247	12,930	0	93,177
Total Assets	\$ 80,247	\$ 55,041	\$ 62,240	\$ 197,528
<u>Liabilities</u>				
	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fund Equity</u>				
Fund Balances:				
Restricted For:				
Gypsy Moth Suppression and Control	52,005	0	0	52,005
Capital Projects	0	55,041	0	55,041
Committed To:				
Designated For:				
Gypsy Moth Suppression and Control	28,242	0	0	28,242
Senior Citizens	0	0	62,240	62,240
Total Fund Equity	80,247	55,041	62,240	197,528
Total Liabilities and Fund Equity	\$ 80,247	\$ 55,041	\$ 62,240	\$ 197,528

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
For the Year Ended March 31, 2018

	<u>Special Revenue Funds</u>			<u>Total Other Governmental Funds</u>
	<u>Gypsy Moth Fund</u>	<u>Refinery Redevelopment Fund</u>	<u>Senior Citizen Fund</u>	
<u>Revenue</u>				
Interest and Rentals	\$ 201	\$ 42	\$ 36	\$ 279
<u>Expenditures</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenue Over (Under) Expenditures	<u>201</u>	<u>42</u>	<u>36</u>	<u>279</u>
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	0	6,994	0	6,994
Operating Transfers Out	<u>0</u>	<u>0</u>	<u>(24,251)</u>	<u>(24,251)</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>6,994</u>	<u>(24,251)</u>	<u>(17,257)</u>
<u>Special Item</u>				
Senior Citizen Settlement	<u>0</u>	<u>0</u>	<u>86,455</u>	<u>86,455</u>
Net Changes in Fund Balance	201	7,036	62,240	69,477
Fund Balances - Beginning of Year	<u>80,046</u>	<u>48,005</u>	<u>0</u>	<u>128,051</u>
Fund Balances - End of Year	<u>\$ 80,247</u>	<u>\$ 55,041</u>	<u>\$ 62,240</u>	<u>\$ 197,528</u>

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

BALANCE SHEET
DOWNTOWN DEVELOPMENT AUTHORITY - COMPONENT UNIT
GOVERNMENTAL FUND
March 31, 2018

	<u>Downtown Development Authority</u>
<u>Assets</u>	
Cash and Cash Equivalents	\$ 682,526
Due from Primary Government (Note 3)	<u>5,333</u>
Total Assets	<u>\$ 687,859</u>
<u>Liabilities</u>	
Accounts Payable	<u>\$ 674</u>
<u>Fund Equity</u>	
Fund Balance:	
Restricted For:	
Economic Development	<u>687,185</u>
Total Liabilities and Fund Equity	<u>\$ 687,859</u>

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

DOWNTOWN DEVELOPMENT AUTHORITY - COMPONENT UNIT -
RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES
March 31, 2018

Total Governmental Fund Balances		\$	687,185
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	\$	38,174	
Capital Asset Cost		1,142,538	
Accumulated Depreciation		<u>(232,555)</u>	
			948,157
Accrued Interest on Long-Term Liabilities			(3,515)
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:			
Bonds Payable			<u>(241,000)</u>
Total Net Position - Governmental Activities		\$	<u><u>1,390,827</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, 2018

	<u>Downtown Development Authority</u>
<u>Revenue</u>	
Property Taxes	\$ 234,931
Federal Grants and Revenue	11,800
Interest and Rentals	635
Other Revenue	<u>312</u>
Total Revenue	<u>247,678</u>
 <u>Expenditures</u>	
Current:	
Community and Economic Development	16,944
Debt Service:	
Principal	19,000
Interest and Fiscal Charges	<u>9,100</u>
Total Expenditures	<u>45,044</u>
 Net Change in Fund Balance	 202,634
 Fund Balances - Beginning of Year	 <u>484,551</u>
 Fund Balances - End of Year	 <u>\$ 687,185</u>

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

DOWNTOWN DEVELOPMENT AUTHORITY - COMPONENT UNIT - RECONCILIATION OF THE STATEMENT OF
REVENUE, EXPENDITURES AND CHANGES INFUND BALANCES OF THE GOVERNMENTAL
FUND TO THE STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2018

Total Net Change in Fund Balances - Governmental Fund	\$ 202,634
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.	
Current Year Depreciation Expense	(76,169)
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 assets. The amount of repayments reported as expenditures in the governmental funds consist of:	
Bonds Payable	19,000
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>277</u>
Change in Net Position of Governmental Activities	<u>\$ 145,742</u>

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 DOWNTOWN DEVELOPMENT AUTHORITY - COMPONENT UNIT - GOVERNMENTAL FUND
For the Year Ended March 31, 2018

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenue</u>				
Property Taxes	\$ 246,285	\$ 246,285	\$ 234,931	\$ (11,354)
Federal Grants and Revenue	11,800	11,800	11,800	0
Interest and Rentals	550	550	635	85
Other Revenue	<u>0</u>	<u>0</u>	<u>312</u>	<u>312</u>
Total Revenue	<u>258,635</u>	<u>258,635</u>	<u>247,678</u>	<u>(10,957)</u>
<u>Expenditures</u>				
Current:				
Community and Economic Development	72,273	72,273	16,944	55,329
Capital Outlay	19,000	19,000	0	19,000
Debt Service:				
Principal	0	0	19,000	(19,000)
Interest and Fiscal Charges	<u>8,900</u>	<u>8,900</u>	<u>9,100</u>	<u>(200)</u>
Total Expenditures	<u>100,173</u>	<u>100,173</u>	<u>45,044</u>	<u>55,129</u>
Net Change in Fund Balances	158,462	158,462	202,634	44,172
Fund Balances - Beginning of Year	<u>484,551</u>	<u>484,551</u>	<u>484,551</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 643,013</u>	<u>\$ 643,013</u>	<u>\$ 687,185</u>	<u>\$ 44,172</u>



Stephenson & Company, P.C.

Certified Public Accountants & Consultants

Alan J. Stephenson, CPA
Donald W. Brannan, CPA
Kyle E. Troyer, CPA
Robert J. Morand, CPA

June 8, 2018

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of West Branch for the year ended March 31, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 2, 2018. Professional standards also require that we communicate to you the following information related to 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 10, 2018. 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 & Company, 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 April 2, 2018, 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 April 2, 2018.

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. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by the government unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.
- Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Township of West Branch financial statements was:

The Township's investment in West Branch Area Waste Water Treatment Plant Authority and the related contracts payable to the Authority, which are based on the Township's annual water usage compared to the total usage of the Authority as a whole. The investment value and bond debt liability fluctuates annually based on the above percentage calculation of annual water usage. We evaluated the key factors and assumptions used to develop the investment and the related contracts payable liability in determining that it is reasonable in relation to the financial statements taken as a whole.

- The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all 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. Management has determined the effects of the unadjusted audit differences are immaterial, both individually and in the aggregate, to the financial statements as a whole, and material misstatements provided to management on June 8, 2018 were corrected by management.

APPENDIX I COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 8, 2018.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of West Branch'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

We applied certain limited procedures to management's discussion and analysis and the budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

APPENDIX II MANAGEMENT COMMENTS

In planning and performing our audit of the 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 as of and for the year ended March 31, 2018 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 a certain deficiency in internal control that we consider to be a material weakness.

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 deficiency in internal control to be a material weakness:

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 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.

During our audit, we also became aware of the following deficiency in internal control other than a significant deficiency or material weakness, or other matter that is an opportunity for strengthening internal controls and operating efficiency.

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. In previous years, we recommended that the Downtown Development Authority Board obtain cancelled check images each month for review. We commend management on assigning an individual to complete this task; however, it has been brought to our attention that this review has not been being completed each month. Therefore, we would like to reiterate our previous recommendation that the Board member begin reviewing the cancelled check images each month to ensure that unusual items can be pointed out easily and investigated in a timely manner. Follow up of each month's review should then be relayed to the Board and noted in the monthly minutes.

**APPENDIX II
MANAGEMENT COMMENTS**

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various governmental unit personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

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 Control		X		
Segregation of Duties				X
Payroll			X	