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TOWNSHIP OF WEST BRANCH

OGEMAW COUNTY, MICHIGAN

FINANCIAL STATEMENTS

MARCH 31, 2008

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INDEPENDENT AUDITORS' REPORT

August 7, 2008

Township Board
Township of West Branch
Ogemaw County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of West Branch, West Branch, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the index. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, each major fund, and the aggregate remaining fund information of the Township of West Branch as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

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WEINLANDER FITZHUGH

Township Board
Township of West Branch
August 7, 2008
Page 2

The accompanying management's discussion and analysis and budgetary comparison information as listed in the index are not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated August 7, 2008 on our consideration of the Township of West Branch's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Weinlander Fitzhugh

TOWNSHIP OF WEST BRANCH
Management's Discussion & Analysis
For the Year Ended March 31, 2008

Our discussion and analysis of the Township of West Branch's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2008.

Financial Highlights

State shared revenues were for \$189,385 or 47% of the Township's general fund revenues. In addition, tax related revenue was \$139,976 or 35% of the Township's general fund revenues. The General Fund reported an decrease in fund balance of \$37,496.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Township of West Branch financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole Township, presenting both an aggregate view of the Township's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending.

The fund financial statements look at the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds; the General Fund, Capital Projects Fund, Gypsy Moth Fund, Water and Sanitary Sewer Fund and Water 2 Fund. Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements for the Township's water and sewer operations. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the Township acts solely as an agent or trustee.

The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information).

Basic Financial Statements

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

Budgetary Information for the General Fund and the Gypsy Moth Fund (Required Supplemental Information).

TOWNSHIP OF WEST BRANCH
Management's Discussion & Analysis
For the Year Ended March 31, 2008

Reporting the Township as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the Township's finances is, "Is the Township better or worse off as a result of the year's activities?". The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector businesses. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Township's net assets as a way to measure the Township's financial position. The change in net assets provides the reader a tool to assist in determining whether the Township's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base and facility conditions in arriving at their conclusion regarding the overall health of the Township.

In the Statement of Net Assets and the Statement of Activities, the Township is divided into three kinds of activities:

- Governmental Activities – Most of the Township's basic services are reported here, including the fire, streets and general administration. Sales taxes (state shared revenues) and property taxes finance most of these activities.
- Business Type Activities – The Township charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Township's water and sewer systems are reported here.
- Component Unit – The Township includes the Downtown Development Authority in their report. Although legally separate, this component unit is important because the Township is financially accountable for it.

Reporting the Township's Most Significant Funds

Fund Financial Statements

The Township's fund financial statements provide detailed information about the most significant funds – not the Township as a whole. Some funds are required to be established by State law or by bond covenants. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue. The Township's three types of funds; governmental, proprietary and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

TOWNSHIP OF WEST BRANCH
Management's Discussion & Analysis
For the Year Ended March 31, 2008

Governmental Funds

Most of the Township's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's general operations and the basic services it provides.

Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the Township's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

Proprietary Funds

These funds are reported in fund financial statements and generally report services for which the Township charges a fee. Enterprise funds essentially encompass the same functions reported as business-type activities in the Government-wide statements.

These funds present the Township's water and sewer operations that are managed by the Township. The Township has sole authority to set rates and is financially responsible for the integrity of the system. The financial statements reflect the financial position and results of operations for the system for the fiscal year ending March 31, 2008.

Fiduciary Funds

The Township is the trustee, or fiduciary, for tax collections. All of the Township's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the Township's other financial statements because the assets cannot be utilized by the Township to finance its operations.

Government -wide Financial Analysis

Financial position - The statement of net assets provides the perspective of the Township as a whole. Exhibit A provides a summary of the Township's net assets as of March 31, 2008 and 2007.

TOWNSHIP OF WEST BRANCH
Management's Discussion & Analysis
For the Year Ended March 31, 2008

Exhibit A

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Assets						
Current and other assets	\$ 874,305	\$ 560,429	\$ 855,871	\$ 851,670	\$ 1,730,176	\$ 1,412,099
Capital assets - net of accumulated depreciation	<u>54,195</u>	<u>56,754</u>	<u>4,298,323</u>	<u>3,968,477</u>	<u>4,352,518</u>	<u>4,025,231</u>
Total assets	<u>928,500</u>	<u>617,183</u>	<u>5,154,194</u>	<u>4,820,147</u>	<u>6,082,694</u>	<u>5,437,330</u>
Liabilities						
Current liabilities	349,650	8,385	440,112	196,882	789,762	205,267
Long-term liabilities	<u>118,000</u>	<u>0</u>	<u>785,000</u>	<u>950,000</u>	<u>903,000</u>	<u>950,000</u>
Total liabilities	<u>467,650</u>	<u>8,385</u>	<u>1,225,112</u>	<u>1,146,882</u>	<u>1,692,762</u>	<u>1,155,267</u>
Net Assets						
Invested in capital assets - net of related debt	54,195	56,754	3,336,181	2,844,407	3,390,376	2,901,161
Unrestricted	<u>406,655</u>	<u>552,044</u>	<u>592,901</u>	<u>828,858</u>	<u>999,556</u>	<u>1,380,902</u>
Total net assets	<u>\$ 460,850</u>	<u>\$ 608,798</u>	<u>\$ 3,929,082</u>	<u>\$ 3,673,265</u>	<u>4,389,932</u>	<u>4,282,063</u>

Exhibit A focuses on net assets. The Township's total net assets were \$4,389,932. Capital assets - net of related debt, totaling \$3,390,376 compares the original cost, less depreciation of the Township's capital assets to long-term debt used to finance the acquisition of those assets.

The \$999,556 of unrestricted net assets of governmental and business-type activities represents the *accumulated* results of all past years' operations. The operating results of the General, Special Revenue, and Enterprise Funds will have a significant impact on the change in unrestricted assets from year to year.

Results of operations - The results of this year's operations for the Township as a whole are reported in the statement of activities, which shows the changes in net assets for the year ended March 31, 2008. Exhibit B provides a summary of the Township's operations for 2008 and 2007.

TOWNSHIP OF WEST BRANCH
Management's Discussion & Analysis
For the Year Ended March 31, 2008

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Exhibit B						
Revenue						
Program revenue:						
Charges for services	\$ 21,530	\$ 33,019	\$ 252,972	\$ 252,420	\$ 274,502	\$ 285,439
Grants and contributions	471,282	0	387,710	1,539,995	858,992	1,539,995
General revenue:						
Taxes	139,976	130,014	0	0	139,976	130,014
State shared revenue	189,385	187,847	0	0	189,385	187,847
Interest and investment earnings	23,955	22,277	39,673	31,857	63,628	54,134
Other	33,103	23,784	9,748	9,901	42,851	33,685
	<u>879,231</u>	<u>396,941</u>	<u>690,103</u>	<u>1,834,173</u>	<u>1,569,334</u>	<u>2,231,114</u>
Total revenue						
Function/Program Expenses						
Legislative	64,248	64,465	0	0	64,248	64,465
General government	105,809	130,335	0	0	105,809	130,335
Public safety	49,293	47,431	0	0	49,293	47,431
Public works	208,524	114,403	0	0	208,524	114,403
Capital projects	585,244	0	0	0	585,244	0
Other	14,061	20,716	0	0	14,061	20,716
Water and sewer	0	0	434,286	402,908	434,286	402,908
	<u>1,027,179</u>	<u>377,350</u>	<u>434,286</u>	<u>402,908</u>	<u>1,461,465</u>	<u>780,258</u>
Total expenses						
Increase (Decrease) in Net Assets	<u>\$ (147,948)</u>	<u>\$ 19,591</u>	<u>\$ 255,817</u>	<u>\$ 1,431,265</u>	<u>\$ 107,869</u>	<u>\$ 1,450,856</u>

TOWNSHIP OF WEST BRANCH
Management's Discussion & Analysis
For the Year Ended March 31, 2008

As reported in the statement of activities, the cost of all of our *Governmental and Business-Type Activities* was \$1,461,465. Certain activities were partially funded by \$274,502 from those who benefited from the programs or by the other Townships and organizations that subsidized certain programs with contributions of \$858,992. We paid for the remaining “public benefit” portion of our governmental and business-type activities with \$139,976 in taxes, \$189,385 in state shared revenue and with our other revenues, such as interest and miscellaneous revenues.

The governmental activities net assets experienced a decrease of \$147,948 resulting from an increase in spending on capital projects.

The water and sewer funds experienced an increase of \$255,817 resulting from customer charges over expenses for the year.

The Township's Funds

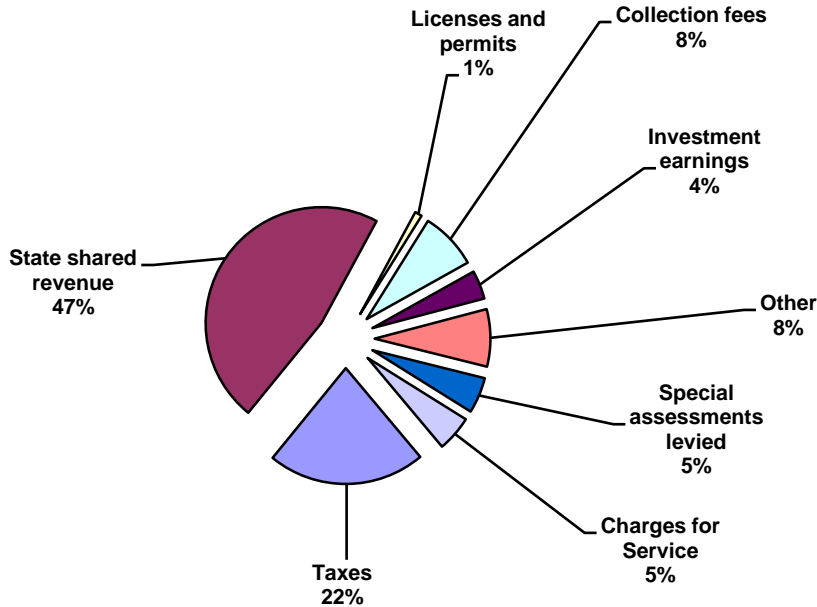
The Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township's overall financial health.

The Township's governmental funds reported a combined fund balance of \$731,655, which is an increase from last year's total of \$552,044. The schedule below details the fund balance and the total change in fund balances as of March 31, 2008.

	Fund Balance March 31, 2008	Fund Balance March 31, 2007	Increase (Decrease)
General Fund	\$ 441,674	\$ 479,170	\$ (37,496)
Capital Projects Fund	213,812	0	213,812
Special Revenue Fund	76,169	72,874	3,295
Total	<u>\$ 731,655</u>	<u>\$ 552,044</u>	<u>\$ 179,611</u>

TOWNSHIP OF WEST BRANCH
Management's Discussion & Analysis
For the Year Ended March 31, 2008

The graph below details the major sources of the Township's General Fund revenues.



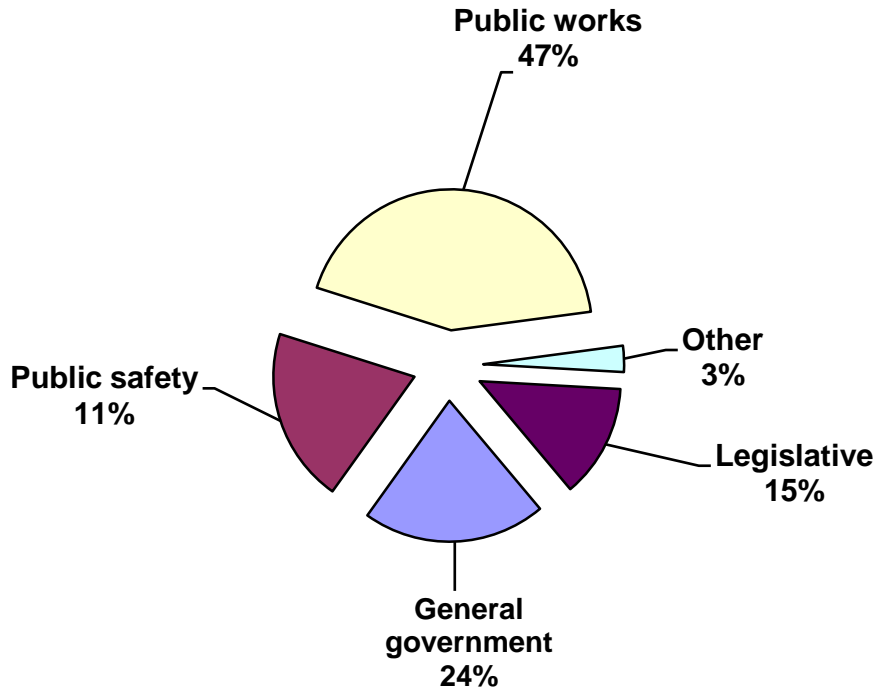
The chart below compares current year revenues with last year.

<i>Revenues by Function</i>	<u>2008</u>	<u>2007</u>	<u>Percentage Change</u>
Taxes	\$ 87,625	\$ 77,160	14%
Collection fees	31,513	32,698	-4%
State shared revenue	189,385	187,847	1%
Special assessments levied	20,838	20,156	3%
Charges for services	21,530	33,019	-35%
Interest	17,586	18,986	-7%
Permits	443	1,159	-62%
Other	32,660	22,625	44%
Total	<u>\$ 401,580</u>	<u>\$ 393,650</u>	<u>2%</u>

Overall, 2008 revenues are up \$7,930 or 2% from 2007 mainly due to an increase in other revenue and the increase in tax collections.

TOWNSHIP OF WEST BRANCH
Management's Discussion & Analysis
For the Year Ended March 31, 2008

The graph below details the General Fund expenditure categories of the Township.



The chart below compares current year expenditures with last year.

<i>Expenditures by Function</i>	2008	2007	Percentage Change
Legislative	\$ 64,248	\$ 64,465	0%
General government	103,249	133,431	-23%
Public safety	49,293	47,431	4%
Public works	208,524	114,403	82%
Other	13,762	20,541	-33%
Total	\$ 439,076	\$ 380,271	15%

TOWNSHIP OF WEST BRANCH
Management's Discussion & Analysis
For the Year Ended March 31, 2008

Expenditures increased by \$58,805 or 15% from 2007 mainly resulting from the work performed in 2008 for repairs and maintenance and contracted road construction.

Water and Sewer System Funds -The Township's Proprietary funds (the Water and Sewer and Water 2 Enterprise Funds) reported net assets of \$3,929,082 which is an increase of \$255,817 over last year's net assets of \$3,673,265. The increase was due to the fact that special assessment continues.

General Fund Budgetary Highlights

Over the course of the year, the Township revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Township's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. There were no changes to the General Fund original budget during the year:

- Actual revenues for the year were \$48,195 greater than anticipated. This was mostly a result of the increase in interest income due to the additional amount of funds deposited, an increase in charges for services and an increase in tax collections.
- Actual expenditures for the year were \$44,879 less than anticipated, which was due to public works not using as much funding for repairs and maintenance and construction as originally budgeted and due to general government not using as much funding as originally anticipated.

TOWNSHIP OF WEST BRANCH
Management's Discussion & Analysis
For the Year Ended March 31, 2008

Capital Assets

At March 31, 2008, the Township had \$4.3 million invested in a broad range of capital assets, including land, buildings, equipment and water and sewer systems.

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Land	\$ 36,436	\$ 36,436	\$ 26,700	\$ 26,700	\$ 63,136	\$ 63,136
Land improvements	2,350	2,350	0	0	2,350	2,350
Buildings and improvements	21,860	21,860	0	0	21,860	21,860
Equipment	22,582	22,333	0	0	22,582	22,333
Water and Sanitary	0	0	3,481,777	3,017,213	3,481,777	3,017,213
Water 2 System	0	0	2,065,375	2,065,375	2,065,375	2,065,375
Total capital assets	83,228	82,979	5,573,852	5,109,288	5,657,080	5,192,267
Less accumulated depreciation	29,033	26,225	1,275,529	1,140,811	1,304,562	1,167,036
Net capital assets	\$ 54,195	\$ 56,754	\$ 4,298,323	\$ 3,968,477	\$ 4,352,518	\$ 4,025,231

We present more detailed information about our governmental activities capital assets in the notes to the financial statements.

TOWNSHIP OF WEST BRANCH
Management's Discussion & Analysis
For the Year Ended March 31, 2008

Debt

At the end of this year, the Township had \$1,275,000 in long-term debt outstanding versus \$1,110,000 in the previous year. The Township's debt is related to water and sewer system improvements reported in the proprietary funds and a capital project fund for Brownfield Redevelopment in the governmental funds. This debt is summarized as follows:

	<u>2008</u>	<u>2007</u>
Note payable	\$ 325,000	\$ 0
Bonds payable	530,000	620,000
Lease payable	<u>420,000</u>	<u>490,000</u>
	<u>\$ 1,275,000</u>	<u>\$ 1,110,000</u>

Factors Expected to Have an Effect on Future Operations

The following is a listing of items that the Township's officials feel will have significant effect on the fund balance in the next year:

- Road construction and road maintenance
- Maintenance of sewer and water lines and lift stations
- Sewer plant construction
- Legal fees
- Roofing on hall
- Searfoss-Fox platted subdivision, which are sewer/water responsibilities

Contacting The Township's Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, contact the Township Clerk's Office at 1705 S. Fairview Road, West Branch, MI 48661.

TOWNSHIP OF WEST BRANCH
Statement of Net Assets
March 31, 2008

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<u>Assets</u>				
Cash and investments	\$ 554,306	\$ 782,336	\$ 1,336,642	\$ 164,003
Receivables:				
Accounts receivable	279,916	53,997	333,913	0
Assessment receivable	4,098	33,906	38,004	0
Accrued interest receivable	667	7,156	7,823	0
Taxes receivable	8,420	0	8,420	0
Due from other governmental units	0	0	0	121,369
Internal balances	26,898	(26,898)	0	0
Bond discount	0	5,374	5,374	0
Capital assets less accumulated depreciation	54,195	4,298,323	4,352,518	0
Total assets	928,500	5,154,194	6,082,694	285,372
<u>Current Liabilities</u>				
Accounts payable	141,369	141,601	282,970	0
Accrued interest payable	0	12,142	12,142	0
Accrued liabilities	1,281	0	1,281	0
Due to other governmental units	0	121,369	121,369	0
Note payable	207,000	0	207,000	0
Bonds payable	0	95,000	95,000	0
Capital lease	0	70,000	70,000	0
Total current liabilities	349,650	440,112	789,762	0
<u>Long-term Liabilities</u>				
Note payable	118,000	0	118,000	0
Bonds payable	0	435,000	435,000	0
Capital lease	0	350,000	350,000	0
Total long-term liabilities	118,000	785,000	903,000	0
Total liabilities	467,650	1,225,112	1,692,762	0
<u>Net Assets</u>				
Investment in capital assets - net of related debt	54,195	3,336,181	3,390,376	0
Unrestricted	406,655	592,901	999,556	285,372
Total net assets	\$ 460,850	\$ 3,929,082	\$ 4,389,932	\$ 285,372

See accompanying notes to financial statements.

TOWNSHIP OF WEST BRANCH
Statement of Activities
For the Year Ended March 31, 2008

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Change in Net Assets			Component Units
	Expenses	Charges for Services	Capital Grants/Contributions	Governmental Activities	Business-type Activities	Total	
Primary government							
Governmental activities:							
Legislative	\$ 64,248	\$ 0	\$ 0	\$ (64,248)	\$ 0	\$ (64,248)	\$ 0
General government	105,809	0	0	(105,809)	0	(105,809)	0
Public safety	49,293	7,585	0	(41,708)	0	(41,708)	0
Public works	208,524	13,945	0	(194,579)	0	(194,579)	0
Capital projects	585,244	0	471,282	(113,962)	0	(113,962)	0
Other	14,061	0	0	(14,061)	0	(14,061)	0
Total governmental activities	1,027,179	21,530	471,282	(534,367)	0	(534,367)	0
Business-type activities:							
Water and sanitary sewer	255,987	186,826	226,482	0	157,321	157,321	0
Water #2	178,299	66,146	161,228	0	49,075	49,075	0
Total business-type activities	434,286	252,972	387,710	0	206,396	206,396	0
Total primary government	\$ 1,461,465	\$ 274,502	\$ 858,992	(534,367)	206,396	(327,971)	0
Component Units:							
Downtown Development Authority	\$ 290,957	\$ 0	\$ 0	0	0	0	(290,957)
Total component units	\$ 290,957	\$ 0	\$ 0	0	0	0	(290,957)
General Revenues:							
Taxes				139,976	0	139,976	300,543
State shared revenue				189,385	0	189,385	0
Interest income				23,955	39,673	63,628	8,366
Other				33,103	9,748	42,851	0
Total general revenues				386,419	49,421	435,840	308,909
Change in net assets				(147,948)	255,817	107,869	17,952
Net assets - beginning of year				608,798	3,676,265	4,285,063	267,420
Net assets - end of year				\$ 460,850	\$ 3,932,082	\$ 4,392,932	\$ 285,372

See accompanying notes to financial statements.

TOWNSHIP OF WEST BRANCH
Governmental Funds
Balance Sheet
March 31, 2008

	General	Capital Projects	Gypsy Moth	Total
<u>ASSETS</u>				
Cash and investments	\$ 406,802	\$ 72,002	\$ 75,502	\$ 554,306
Receivables:				
Accounts receivable	0	279,916	0	279,916
Taxes receivable	8,420	0	0	8,420
Interest receivable	0	0	667	667
Assessment receivable	4,098	0	0	4,098
Due from other funds	48,918	0	0	48,918
Total assets	\$ 468,238	\$ 351,918	\$ 76,169	\$ 896,325
<u>LIABILITIES AND FUND BALANCE</u>				
<u>Liabilities</u>				
Accounts payable	\$ 3,263	\$ 138,106	\$ 0	\$ 141,369
Accrued liabilities	1,281	0	0	1,281
Due to other funds	22,020	0	0	22,020
Total liabilities	26,564	138,106	0	164,670
<u>Fund Balance</u>				
Unreserved:				
Undesignated	441,674	213,812	76,169	731,655
Total liabilities and fund balance	\$ 468,238	\$ 351,918	\$ 76,169	\$ 896,325

See accompanying notes to financial statements.

TOWNSHIP OF WEST BRANCH
 Reconciliation of Balance Sheet of Governmental Funds
 to the Statement of Net Assets
March 31, 2008

Total fund balance - governmental funds		\$	731,655
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the funds:			
Cost of the capital assets		\$	83,228
Accumulated depreciation			(29,033)
			54,195
Long-term liabilities are not due and payable in the current period and are not reported in the funds:			
Note payable			(325,000)
			(325,000)
Total net assets - governmental activities		\$	460,850

See accompanying notes to financial statements.

TOWNSHIP OF WEST BRANCH
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended March 31, 2008

	General	Capital Projects	Gypsy Moth	Total
<u>Revenues</u>				
Taxes	\$ 87,625	\$ 0	\$ 0	\$ 87,625
Collection fees	31,513	0	0	31,513
State shared revenue	189,385	0	0	189,385
Special assessments levied	20,838	0	0	20,838
Charges for services	21,530	0	0	21,530
Interest	17,586	2,774	3,595	23,955
Licenses and permits	443	0	0	443
Other	32,660	471,282	0	503,942
	<u>401,580</u>	<u>474,056</u>	<u>3,595</u>	<u>879,231</u>
<u>Expenditures</u>				
Legislative	64,248	0	0	64,248
General government	103,249	0	0	103,249
Public safety	49,293	0	0	49,293
Public works	208,524	0	0	208,524
Capital projects	0	585,244	0	585,244
Other	13,762	0	300	14,062
	<u>439,076</u>	<u>585,244</u>	<u>300</u>	<u>1,024,620</u>
	(37,496)	(111,188)	3,295	(145,389)
<u>Other financing sources</u>				
Debt proceeds	<u>0</u>	<u>325,000</u>	<u>0</u>	<u>325,000</u>
Net change in fund balance	(37,496)	213,812	3,295	179,611
Fund balance - beginning of year	<u>479,170</u>	<u>0</u>	<u>72,874</u>	<u>552,044</u>
Fund balance - end of year	<u>\$ 441,674</u>	<u>\$ 213,812</u>	<u>\$ 76,169</u>	<u>\$ 731,655</u>

See accompanying notes to financial statements.

TOWNSHIP OF WEST BRANCH
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2008

Net change in fund balance - total governmental funds		\$ 179,611
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p style="padding-left: 40px;">Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:</p>		
Capital outlay	\$ 249	
Depreciation expense	<u>(2,808)</u>	(2,559)
Debt proceeds		<u>(325,000)</u>
Change in net assets of governmental activities		<u><u>\$ (147,948)</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF WEST BRANCH
Proprietary Funds
Statement of Net Assets
March 31, 2008

	Business-Type Activities		
	Enterprise Funds		
	Water and Sanitary Sewer	Water 2	Totals
<u>Assets</u>			
Current Assets:			
Cash and investments	\$ 513,554	\$ 268,782	\$ 782,336
Accounts receivable - net	41,189	12,808	53,997
Interest receivable	7,156	0	7,156
Total current assets	<u>561,899</u>	<u>281,590</u>	<u>843,489</u>
Restricted Assets:			
Deferred special assessments	33,906	0	33,906
Capital assets - at cost	3,481,777	2,092,075	5,573,852
Less allowance for depreciation	(666,420)	(609,109)	(1,275,529)
Net capital assets	<u>2,815,357</u>	<u>1,482,966</u>	<u>4,298,323</u>
Other Assets:			
Bond discount	2,080	3,294	5,374
Total Assets	<u>3,413,242</u>	<u>1,767,850</u>	<u>5,181,092</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	139,903	1,698	141,601
Accrued interest payable	1,276	10,866	12,142
Due to other funds	59,902	88,365	148,267
Bonds payable	45,000	50,000	95,000
Capital lease	0	70,000	70,000
Total current liabilities	<u>246,081</u>	<u>220,929</u>	<u>467,010</u>
Long-term Liabilities:			
Bonds payable	205,000	230,000	435,000
Capital lease	0	350,000	350,000
Total long - term liabilities	<u>205,000</u>	<u>580,000</u>	<u>785,000</u>
Total Liabilities	<u>451,081</u>	<u>800,929</u>	<u>1,252,010</u>
<u>Net Assets</u>			
Invested in capital assets - net of related debt	2,564,081	772,100	3,336,181
Unrestricted	<u>398,080</u>	<u>194,821</u>	<u>592,901</u>
Total Net Assets	<u>\$ 2,962,161</u>	<u>\$ 966,921</u>	<u>\$3,929,082</u>

See accompanying notes to financial statements

TOWNSHIP OF WEST BRANCH
Proprietary Funds
Statement of Revenues, Expenses and Change in Net Assets
For the Year Ended March 31, 2008

	Business-Type Activities		
	Enterprise Funds		
	Water and Sanitary Sewer	Water 2	Totals
Gross service charges	\$ 136,826	\$ 65,471	\$ 202,297
Water costs	107,650	0	107,650
Gross profit	29,176	65,471	94,647
Operating revenues:			
Service connections	50,000	675	50,675
Charges, fees, etc.	898	8,850	9,748
Total operating revenues	50,898	9,525	60,423
Operating expenses:			
Utilities	3,756	7,259	11,015
Operation and maintenance	39,788	71,375	111,163
Administration	2,532	10,486	13,018
Fiscal and other charges	1,458	1,209	2,667
Depreciation	85,668	49,050	134,718
Total operating expenses	133,202	139,379	272,581
Operating income (loss)	(53,128)	(64,383)	(117,511)
Nonoperating revenues (expenses):			
Interest income	25,195	14,478	39,673
Grant income	170,901	0	170,901
Interest expense	(15,135)	(38,920)	(54,055)
Payment from DDA	55,581	161,228	216,809
Total nonoperating revenues	236,542	136,786	373,328
Change in net assets	183,414	72,403	255,817
Net assets - beginning of year	2,778,747	894,518	3,673,265
Net assets - end of year	<u>\$ 2,962,161</u>	<u>\$ 966,921</u>	<u>\$ 3,929,082</u>

See accompanying notes to financial statements

TOWNSHIP OF WEST BRANCH
Proprietary Funds
Statement of Cash Flows
For the Year Ended March 31, 2008

	Water and Sanitary Sewer	Water 2	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 196,493	\$ 67,960	\$ 264,453
Cash payments to suppliers for goods and services	(34,088)	(78,543)	(112,631)
Cash payments to employees for services	(2,532)	(10,486)	(13,018)
Other operating income	898	8,850	9,748
Net cash provided (used) by operating activities	<u>160,771</u>	<u>(12,219)</u>	<u>148,552</u>
Cash flows from capital and related financing activities:			
Grant revenue	170,901	0	170,901
Collection of customer assessments	(91)	0	(91)
Principal paid on long-term debt	(40,000)	(120,000)	(160,000)
Interest paid on long-term debt	(15,305)	(40,678)	(55,983)
Payments from local units	182,226	160,586	342,812
Net cash provided (used) by capital and related financing activities	<u>297,731</u>	<u>(92)</u>	<u>297,639</u>
Cash flows from investing activities:			
Investment in capital assets	(464,565)	0	(464,565)
Interest and investment earnings	24,874	14,478	39,352
Net cash provided (used) by investing activities	<u>(439,691)</u>	<u>14,478</u>	<u>(425,213)</u>
Net increase in cash and investments	18,811	2,167	20,978
Cash and investments - beginning of year	<u>494,743</u>	<u>266,615</u>	<u>761,358</u>
Cash and investments - end of year	<u>\$ 513,554</u>	<u>\$ 268,782</u>	<u>\$ 782,336</u>

See accompanying notes to financial statements

TOWNSHIP OF WEST BRANCH
Statement of Fiduciary Net Assets
March 31, 2008

	<u>Tax Collection Fund</u>
	<u>ASSETS</u>
Cash and investments	<u>\$ 7,558</u>
	<u>LIABILITIES</u>
Due to other governmental entities	<u>\$ 7,558</u>

See accompanying notes to financial statements.

TOWNSHIP OF WEST BRANCH
Component Unit
Statement of Net Assets
March 31, 2008

	<u>Downtown Development Authority</u>
<u>Assets</u>	
Cash and investments	\$ 164,003
Due from other funds	<u>121,369</u>
Total Assets	<u>285,372</u>
 <u>Net Assets</u>	
Unrestricted	<u><u>\$ 285,372</u></u>

See accompanying notes to financial statements

TOWNSHIP OF WEST BRANCH
Component Unit
Statement of Activities
For the Year Ended March 31, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Downtown Development Authority			
General government	<u>\$ 290,957</u>	<u>\$ 0</u>	<u>\$ (290,957)</u>
	General Revenues:		
			300,543
		Taxes	8,366
		Interest and investment earnings	<u>8,366</u>
		Total general revenues	<u>308,909</u>
		Change in net assets	17,952
		Net assets - beginning of year	<u>267,420</u>
		Net assets - end of year	<u>\$ 285,372</u>

See accompanying notes to financial statements

TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of West Branch conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township of West Branch:

Reporting Entity

The Township of West Branch (Township) was organized in 1885 and covers an area of approximately 36 square miles in West Branch, Michigan. The Township operates under an elected board (five members) and provides services to its residents in many areas including community enrichment and development and human services. The reporting entity for the Township is based on criteria set forth by statements issued by the Governmental Accounting Standards Board. 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.

Discretely Presented Component Units – The component unit column in the combined financial statements, which represents the financial data of the Township of West Branch Downtown Development Authority (Authority) is reported in a separate column to emphasize that it is legally separate from the Township. The Authority operates under the directorship of a board appointed by the Township of West Branch 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 can be obtained at 1705 S. Fairview Road, West Branch, MI 48661.

These statements also include the water and sewer systems managed by the Township. Generally accepted accounting principles now require this activity to be reported in the Township's annual financial statements. The Township has sole authority to set rates and is financially responsible for the integrity of the system. The financial statements reflect the financial position and results of operations for the systems for the fiscal year ending March 31, 2008.

The financial statements of certain other governmental organizations listed below are not included in the financial statements of the Township as they do not meet the criteria for being a component unit of the township.

Ogemaw Fire Board – The Fire Board is a joint venture with five other local units. The Township appoints one of the six board members and is not financially accountable for the Fire Board.

Ogemaw Hills Recreation Department – The recreation department is a joint venture with six other local units. The Township appoints one of the board members and is not financially accountable for the recreation department.

TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

The Township reports the following major funds:

General Fund - The General Fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

Gypsy Moth Fund – The Gypsy Moth Fund is used to record transactions relative to the treatment and control of gypsy moth masses in the Township.

Capital Project Fund - The Capital Projects Fund is used to record the activity related to major construction projects of the Township. Included are transaction related to the improvements to the Mulch Manufacturing site.

Water and Sanitary Sewer Fund – The Water and Sanitary Sewer 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 – The Water 2 Fund is used to record transactions relative to the I-75 project from Cook Road to M-55 and for future service connections.

Assets, Liabilities, and Net Assets or Equity

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

TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as “internal balances”.

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on February 14th of the following year, at which time penalties and interest are assessed.

Capital Assets – Capital assets, which include land, buildings, and equipment are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000. 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. Costs of normal repair and maintenance that do not add value or materially extend asset lives are not capitalized.

Land, building, equipment and infrastructure are depreciated using the straight-line method over the following useful lives:

Buildings	39 Years
Building and land improvements	15 Years
Equipment	5-7 Years
Water and sewer lines and equipment	15-50 Years

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. 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.

NOTE 2 – BUDGETS

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of governments prior to the expenditure of monies in a fiscal year.

Each Township department head submits to the supervisor an itemized estimate of the anticipated expenditures of the Township for the next fiscal year for the Township activities under his or her charge. The supervisor shall prepare a complete itemized proposed budget for the next fiscal year and submit it to the Township Board. A public hearing on the budget is to be held before its final adoption, at such time and place as the Township Board directs, and notice of such public hearing is to be published at least one week in advance by the Township Clerk.

A copy of the proposed budget shall be on file and available to the public for inspection during office hours at the office of the Township Clerk for a period of not less than one week prior to such public hearing. Then no later than March, the Township Board shall, by resolution, adopt the budget for the next fiscal year and shall, in that resolution, make an appropriation of money needed for Township purposes during the ensuing fiscal year of the Township. Budgets are adopted at the fund level.

A comparison of actual results of operations to the budgeted amounts for the General Fund and Gypsy Moth Fund is presented as Required Supplemental Information.

TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2008

NOTE 3 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rates within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Township's deposits are in accordance with statutory authority.

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

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total	Component Units
Cash and investments	\$ 554,306	\$ 782,336	\$ 7,558	\$ 1,344,200	\$ 164,003
Total	\$ 554,306	\$ 782,336	\$ 7,558	\$ 1,344,200	\$ 164,003

The breakdown between deposits and investments is as follows:

Deposits (checking and savings accounts, certificates of deposit)	\$ 667,201
Investments in interlocal agreement investment pools (i.e. Class) with a weighted average maturity not to exceed 60 days	839,579
Petty cash and cash on hand	1,423
Total	\$ 1,508,203

Custodial credit risk-Deposits

In the case of deposits, this is the risk in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2008, \$421,260 of the Township's bank balance of \$535,913, was exposed to custodial credit risk because it was uninsured and collateralized. As of March 31, 2008, \$64,003 of the component units' bank balance of \$164,003 was exposed to custodial credit risk because it was uninsured and collateralized.

The Township's investment policy does not identify interest rate risk, foreign currency risk, and concentration credit risk.

TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2008

NOTE 4 - CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals and Adjustments	Ending Balance
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 36,436	\$ 0	\$ 0	\$ 36,436
Capital assets being depreciated:				
Buildings and improvements	21,860	0	0	21,860
Land improvements	2,350	0	0	2,350
Equipment	22,333	249	0	22,582
Subtotal	<u>46,543</u>	<u>249</u>	<u>0</u>	<u>46,792</u>
Less accumulated depreciation for:				
Buildings and improvements	11,357	304	0	11,661
Land improvements	542	181	0	723
Equipment	14,326	2,323	0	16,649
Subtotal	<u>26,225</u>	<u>2,808</u>	<u>0</u>	<u>29,033</u>
Governmental activities, total capital assets - net of depreciation	<u>\$ 56,754</u>	<u>\$ (2,559)</u>	<u>\$ 0</u>	<u>\$ 54,195</u>
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	\$ 26,700	\$ 0	\$ 0	\$ 26,700
Capital assets being depreciated:				
Water and Sanitary Sewer	3,017,213	464,564	0	3,481,777
Water 2	2,065,375	0	0	2,065,375
Subtotal	<u>5,082,588</u>	<u>464,564</u>	<u>0</u>	<u>5,547,152</u>
Less accumulated depreciation for:				
Water and Sanitary Sewer	580,752	85,668	0	666,420
Water 2	560,059	49,050	0	609,109
Subtotal	<u>1,140,811</u>	<u>134,718</u>	<u>0</u>	<u>1,275,529</u>
Business-type activities, total capital assets - net of depreciation	<u>\$ 3,968,477</u>	<u>\$ 329,846</u>	<u>\$ 0</u>	<u>\$ 4,298,323</u>

TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2008

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	<u>\$ 2,808</u>
Business-type activities:	
Water and Sanitary Sewer	\$ 85,668
Water 2	<u>49,050</u>
Total business-type activities depreciation expense	<u>\$ 134,718</u>

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A summary of inter-fund receivable and payable balances at March 31, 2008 and transfers made during the year ended March 31, 2008 is as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 48,918	\$ 22,020	\$ 0	\$ 0
Component unit	121,369	0	0	216,809
Water and Sanitary Sewer	0	59,902	55,581	0
Water 2	<u>0</u>	<u>88,365</u>	<u>161,228</u>	<u>0</u>
	<u>\$ 170,287</u>	<u>\$ 170,287</u>	<u>\$ 216,809</u>	<u>\$ 216,809</u>

These inter-fund receivable and payable balances resulted from the time lag between the dates that (1) inter-fund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

These transfers are for debt service. The DDA transfers funds to the Water and Sanitary Sewer and Water 2 for the purpose of paying long-term debt.

TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2008

NOTE 6 - LONG-TERM DEBT

The following details the Township's long-term debt:

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Increase (Decrease)</u>	<u>Ending Balance</u>
Brownfield Redevelopment Note, due in annual installments through 2022, bearing interest rate of 2.00%.	\$ 0	\$ 325,000	\$ 325,000
Limited tax bonds 1998, dated November 1, 1998, due in annual installments through 2013, bearing interest rates of 4.00% to 4.85%.	330,000	(50,000)	280,000
Limited tax bonds 2000, dated August 1, 2000, due in annual installments through 2013 bearing interest rates of 5.10% to 5.40%.	290,000	(40,000)	250,000
Obligation under capital lease (Note 7)	<u>490,000</u>	<u>(70,000)</u>	<u>420,000</u>
Totals	<u>\$ 1,110,000</u>	<u>\$ 165,000</u>	<u>\$ 1,275,000</u>

TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2008

NOTE 6 – LONG-TERM DEBT (CONTINUED)

Long-term obligation activity can be summarized as follows:

	Balance April 1, 2007	Additions	Retirements and Payments	Balance March 31, 2008	Amount Due Within One Year
Brownfield Note	\$ -	\$ 325,000	\$ -	\$ 325,000	\$ 207,000
Bonds	620,000	0	(90,000)	530,000	95,000
Capital lease	490,000	0	(70,000)	420,000	70,000
	<u>\$ 1,110,000</u>	<u>\$ 325,000</u>	<u>\$ (160,000)</u>	<u>\$ 1,275,000</u>	<u>\$ 372,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

Year End March 31	Governmental		Business-Type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 207,000	\$ 0	\$ 165,000	\$ 47,928
2010	0	0	165,000	39,452
2011	0	0	175,000	30,870
2012	0	0	185,000	21,715
2013	11,821	0	190,000	12,003
2014-2018	50,464	8,639	70,000	1,960
2019-2023	55,715	3,387	0	0
Total	<u>\$ 325,000</u>	<u>\$ 12,026</u>	<u>\$ 950,000</u>	<u>\$ 153,928</u>

NOTE 7 – CAPITAL LEASE OBLIGATION

In April of 1993, the County of Ogemaw issued \$1,400,000 in bonds in order to pay for the construction of a water supply system in West Branch Township. The County owns the system and leases it to the Township for as long as the bonds remain outstanding. The Township is responsible for operation and maintenance of the system. The Township will own the system when the bonds have been paid.

The bonds are partly payable from taxes collected by the Tax Increment Financing Authority, revenue generated from operation of the water tower and revenue generated from a special assessment roll. Both the Township of West Branch and County of Ogemaw have pledged full faith and credit for repayment of the bonds. The lease calls for the Township to make payments to the County in amounts equal to the bond and interest payments due on the bonds.

TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2008

NOTE 7 – CAPITAL LEASE OBLIGATION (CONTINUED)

Obligations under capital lease have been recorded in the Proprietary Fund at the present value of future minimum lease payments, discounted at interest rates ranging from 3.2% to 5.6%.

The future minimum lease payments under the capital lease and present value of the net minimum lease payments are as follows:

<u>Year Ended March 31,</u>	<u>Lease Payments</u>
2009	\$ 91,525
2010	87,640
2011	83,720
2012	79,800
2013	75,880
Thereafter	<u>71,960</u>
Total future minimum lease payments	490,525
Less amount representing interest	<u>70,525</u>
Present value of future minimum lease payments	<u><u>\$ 420,000</u></u>

NOTE 8 – PENSION PLAN

The Township contributes to a defined contribution pension plan covering all employees and elected officials, but excluding election workers. Contributions to each individual's simplified employee pension account are 15% of each employee's salary or wages. Contributions for the year ending March 31, 2008 were \$14,073.

TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2008

NOTE 10 – RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

	Water and Sanitary Sewer	Water 2	Total
Operating income (loss)	\$ (53,128)	\$ (64,383)	\$ (117,511)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	85,668	49,050	134,718
Amortization	415	659	1,074
Changes in operating assets and liabilities:			
Accounts receivable	9,667	1,814	11,481
Accounts payable	118,149	641	118,790
Net cash provided (used) by operating activities	\$ 160,771	\$ (12,219)	\$ 148,552

NOTE 10 - PROPERTY TAXES

Property taxes are assessed on December 31, levied on the following July 1 and December 1 and are payable through February 14. The Township bills and collects its own taxes and also taxes for the State of Michigan, County of Ogemaw, West Branch-Rose City Public Schools, Kirtland Community College, C.O.O.R. Intermediate School District, and West Branch District Library. The collection of these taxes and remittance to the proper authority are accounted for in the Current Tax Collections Fund. Township property tax revenues levied December 1, 2007 are recognized as revenue for the year ended March 31, 2009.

During 1996, as a result of a vote of the citizens, a 15 year additional 0.19950 mills was levied for operation of a senior citizen center. These taxes are forwarded to the City of West Branch, owners of the building, for expenditures of the center servicing Ogemaw County.

NOTE 11 - RISK FINANCING AND RELATED INSURANCE ISSUES

The Township is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township continues to carry commercial insurance for risk of loss.

TOWNSHIP OF WEST BRANCH
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended March 31, 2008

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Taxes	\$ 70,000	\$ 70,000	\$ 87,625	\$ 17,625
Collection fees	23,000	23,000	31,513	8,513
State shared revenue	188,000	188,000	189,385	1,385
Special assessments levied	13,000	13,000	20,838	7,838
Charges for services	16,000	16,000	21,530	5,530
Interest	4,000	4,000	17,586	13,586
Licenses and permits	1,400	1,400	443	(957)
Other	37,985	37,985	32,660	(5,325)
Total revenues	353,385	353,385	401,580	48,195
<u>Expenditures</u>				
Legislative	51,405	51,405	64,248	(12,843)
General government	145,453	145,453	103,249	42,204
Public safety	45,400	45,400	49,293	(3,893)
Public works	225,947	225,947	208,524	17,423
Other	15,750	15,750	13,762	1,988
Total expenditures	483,955	483,955	439,076	44,879
Net change in fund balance	(130,570)	(130,570)	(37,496)	93,074
Fund balance - beginning of year	479,170	479,170	479,170	0
Fund balance - end of year	\$ 348,600	\$ 348,600	\$ 441,674	\$ 93,074

TOWNSHIP OF WEST BRANCH
 Required Supplemental Information
 Budgetary Comparison Schedule - Gypsy Moth Fund
For the Year Ended March 31, 2008

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Interest	\$ 1,500	\$ 1,500	\$ 3,595	\$ 2,095
<u>Expenditures</u>				
Other	5,200	5,200	300	4,900
Net change in fund balance	(3,700)	(3,700)	3,295	6,995
Fund balance - beginning of year	72,874	72,874	72,874	0
Fund balance - end of year	<u>\$ 69,174</u>	<u>\$ 69,174</u>	<u>\$ 76,169</u>	<u>\$ 6,995</u>



WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
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August 7, 2008

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Township Board
Township of West Branch
Ogemaw County, Michigan

We have audited the financial statements of the Township of West Branch, Ogemaw County, Michigan as of and for the year ended March 31, 2008, and have issued our report thereon dated August 7, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of West Branch's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Township of West Branch's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of West Branch's internal control over financial reporting.

Our consideration on internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with

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Township Board
Township of West Branch
August 7, 2008

U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township of West Branch's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in a separate correspondence to the Township Board dated August 7, 2008 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the Township of West Branch's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of West Branch's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of the Township Board, management and related regulatory agencies and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Weinlander Fitzhugh



WEINLANDER FITZHUGH

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August 7, 2008

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Township Board
Township of West Branch
Ogemaw County, Michigan

In planning and performing our audit of the financial statements of the Township of West Branch (Township) as of and for the year ended March 31, 2008, in accordance with U.S. generally accepted auditing standards. We considered the Township of West Branch's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective is not always met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

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WEINLANDER FITZHUGH

Township Board
Township of West Branch
August 7, 2008
Page 2

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. We consider the following significant deficiencies to be material weaknesses:

Segregation of Duties

One of the strongest controls in an internal control system is known as “segregation of duties”. This means that there are different individuals performing different duties within a specific accounting function. Having multiple individuals performing duties in the same accounting function acts as a check and balance.

As is common in many small organizations, there is often only a few people, sometimes only one person, performing the accounting and financial functions. It is also common to have these individuals concentrate their efforts in one area. For example, one person does all the payroll, one person does all the disbursing, and one person does all the billing and receipting.

While this is usually more efficient, it weakens the internal control system. There are generally insufficient checks and balances in place.

This is the situation with the Township. Due to a limited staff size, the Township has a lack of segregation of duties with respect to the cash receipts accounting function because the duties are centralized with one individual.

The Township has begun the process of implementing compensating controls to reduce the significance of the deficiency, but due to the change in administrative personnel during the year, these compensating controls were not applied on a consistent basis. We continue to recommend the implementation by the Township of compensating controls over the cash receipts accounting function on a consistent basis.

Financial Reporting

As part of our consideration of the internal control over financial reporting, we as auditors are not allowed to be considered to be part of Township of West Branch internal controls. In taking this required position, we must consider whether the Township has the ability, on its own, to monitor and report financial activity in accordance with our professional standards without auditor involvement.



WEINLANDER FITZHUGH

Township Board
Township of West Branch
August 7, 2008
Page 3

The Township uses accounting software as a management tool to monitor the financial status of the Township, to facilitate the preparation and amendment of budgets and to compare budgeted amounts to actual results. In addition, the Township demonstrates the ability to report fund level activities, monitor fiduciary fund activities (including tax collections and disbursements) and report on certain fund level note disclosures. Due to the complexity of the required government wide financial statements, proprietary fund statements and related note disclosures in accordance with GASB 34, the Township does not maintain personnel who can properly report in accordance with U.S. generally accepted accounting principles without auditor involvement.

The preceding comments are not intended to reflect on the performance or capability of any employee.

This communication is intended solely for the information and use of the Board of Directors, management, the Township Board and others within the Township, federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Weinlander Fitzhugh