



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

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

TOWNSHIP OF WEST BRANCH
OGEMAW COUNTY, MICHIGAN

AUDITORS' REPORT
YEAR ENDED MARCH 31, 2012

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AUDITORS' REPORT

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2 - 8
<u>BASIC FINANCIAL STATEMENTS</u>	
<u>GOVERNMENT-WIDE FINANCIAL STATEMENTS</u>	
STATEMENT OF NET ASSETS	9
STATEMENT OF ACTIVITIES	10 - 11
<u>FUND FINANCIAL STATEMENTS</u>	
BALANCE SHEET - GOVERNMENTAL FUNDS	12
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES	13
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	14
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	15
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS	16
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS	17
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS	18
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - FIDUCIARY FUND	19
NOTES TO FINANCIAL STATEMENTS	20 - 37
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND	38
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GYPSY MOTH FUND - SPECIAL REVENUE FUND	39
<u>OTHER INFORMATION</u>	
BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY - COMPONENT UNIT - GOVERNMENTAL FUND	40
DOWNTOWN DEVELOPMENT AUTHORITY - COMPONENT UNIT - RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS	41
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - DOWNTOWN DEVELOPMENT AUTHORITY - COMPONENT UNIT - GOVERNMENTAL FUND	42
DOWNTOWN DEVELOPMENT AUTHORITY - COMPONENT UNIT - RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	43



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June 19, 2012

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, 2012, which collectively comprise the Township's basic financial statements, as listed in the index. These financial statements are the responsibility of the Township of West Branch's management. 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 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 the 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 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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township of West Branch has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, as of March 31, 2012. As a result of this required implementation, fund balance classifications in the governmental fund financial statements have been changed to reflect the five new classifications under GASB No. 54.

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of West Branch's financial statements as a whole. The Downtown Development Authority - component unit fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The Downtown Development Authority - component unit fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Stephenson, Gracik & Co., P.C.

WEST BRANCH TOWNSHIP

Jay Spaulding, Supervisor
Diane Philbrick, Treasurer

Margaret Winslow, Clerk

L. Sue Delahanty, Trustee
Michael Selinski, Trustee

1705 S. Fairview Road
West Branch, Michigan 48661
Phone 989-345-5450, Fax 989-345-8419
E-Mail: wbtogemaw@sbcglobal.net

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, 2012. 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 \$5,312,489.
- The Township's total net assets increased by \$185,475.
- The Township's governmental funds reported a combined ending fund balance of \$757,278 this year, an increase of \$70,543. Of this amount, \$606,839 is available for spending (*unassigned fund balance*) on behalf of its citizens. The Township's General Fund 2011/2012 fiscal year end *fund balance* is \$651,472.

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 assets* 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 assets 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.

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

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

Fund Financial Statements

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

Governmental Funds:

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

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

Proprietary Funds:

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

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

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

Fiduciary Funds: Fiduciary fund reporting focuses on net assets and changes in net assets. 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 Assets:

The following summarizes the net assets of the Township of West Branch at March 31, 2012 and 2011:

Net Assets Summary

	Governmental Activities	Business-Type Activities	March 31, 2012	March 31, 2011
Current Assets	\$ 790,021	\$ 1,104,759	\$ 1,894,780	\$ 1,898,815
Other Noncurrent Assets	38,610	3,074,062	3,112,672	1,796,453
Capital Assets Not Being Depreciated	36,436	26,700	63,136	63,136
Capital Assets – Net of Accum. Depreciation	31,773	3,633,900	3,665,673	3,798,480
Total Assets	896,840	7,839,421	8,736,261	7,556,884
Current Liabilities	15,281	51,943	67,224	111,997
Long-Term Liabilities	118,000	3,238,548	3,356,548	2,308,560
Total Liabilities	133,281	3,290,491	3,423,772	2,420,557
Net Assets				
Invested in Capital Assets, Net of Related Debt	68,209	3,401,678	3,469,887	3,414,508
Restricted	79,343	0	79,343	0
Unrestricted	616,007	1,147,252	1,763,259	1,721,819
Total Net Assets	\$ 763,559	\$ 4,548,930	\$ 5,312,489	\$ 5,136,327

Summary of Changes in Net Assets:

Following is an analysis of the changes in net assets for fiscal year 2012 with comparative totals for 2011.

Generally speaking, the Township's net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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

Summary of Changes in Net Assets (Continued):

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>March 31, 2012</u>	<u>March 31, 2011</u>
Revenues:				
Program Revenues:				
Charges for Services	\$ 107,318	\$ 342,146	\$ 449,464	\$ 385,114
Operating Grants and Contributions	3,389	0	3,389	9,470
Capital Grants and Contributions	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Program Revenues	<u>110,707</u>	<u>342,146</u>	<u>452,853</u>	<u>394,584</u>
General Revenues:				
Property Taxes	91,497	0	91,497	119,406
State Revenue Sharing	186,720	0	186,720	170,539
Payments from Component Unit	0	208,078	208,078	206,658
Interest and Investment Earnings	3,008	5,387	8,395	6,684
Rent Income	586	8,712	9,298	9,839
Other	5,338	5,285	10,623	9,078
Transfers	<u>4,477</u>	<u>(4,477)</u>	<u>0</u>	<u>0</u>
Total General Revenues	<u>291,626</u>	<u>222,985</u>	<u>514,611</u>	<u>522,204</u>
Total Revenues	<u>402,333</u>	<u>565,131</u>	<u>967,464</u>	<u>916,788</u>
Program Expenses:				
General Government	158,335	0	158,335	143,269
Public Safety	32,413	0	32,413	42,281
Public Works	88,226	0	88,226	171,223
Health and Welfare	0	0	0	21,323
Community and Economic Development	14,055	0	14,055	7,435
Other	0	0	0	8
Water and Sanitary Sewer Services	0	332,232	332,232	296,087
Water #2 Services	<u>0</u>	<u>156,728</u>	<u>156,728</u>	<u>93,189</u>
Total Program Expenses	<u>293,029</u>	<u>488,960</u>	<u>781,989</u>	<u>774,815</u>
Change in Net Assets	109,304	76,171	185,475	141,973
Beginning Net Assets (Restated)	<u>654,255</u>	<u>4,472,759</u>	<u>5,127,014</u>	<u>4,985,041</u>
Ending Net Assets	<u>\$ 763,559</u>	<u>\$ 4,548,930</u>	<u>\$ 5,312,489</u>	<u>\$ 5,127,014</u>

Governmental Activities

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

Total governmental activities reveal revenues of \$110,707 from *Charges for Services and Operating Grants and Contributions*. The *Charges for Services* are charges for various permits and property tax collection fees. While revenue collected is substantial, operating expenses totaled \$293,029 for these same activities. The largest expenses were incurred by General Government offices (\$158,335) and Public Works (\$88,226).

Business-Type Activities

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

Financial Analysis of Township Funds

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

Governmental Funds

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

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

Enterprise Funds

The Township's enterprise funds provide the same type of information found in the government-wide financial statements. Commonly, the Water and Sanitary Sewer and the Water #2 activities comprise these funds. GASB 34 places such funds under the caption of Proprietary Funds under the appropriate statements, i.e., "Statement of Net Assets", "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, 2012 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 \$356,504. That amount is above both the original and final amended budget estimates of \$315,390 and \$341,954, respectively, due to receiving additional property tax revenue and state revenue sharing than anticipated.

The actual expenditures of the General Fund were \$291,248, which is below both the original and final budget estimates of \$397,952 and \$437,814, respectively. The variance between the final budget and actual expenditures was due primarily to decreased costs for public works (road construction), as well as decreased expenditures in public safety and community and economic development.

The General Fund had total revenues of \$356,504 and total expenditures of \$291,248 with an ending fund balance of \$651,472.

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 and ending balance was \$103,228. Governmental Activities Total Capital Assets – Net of Depreciation ending balance was \$68,209. There were no capital asset additions or disposals in the year ended March 31, 2012.

Capital Assets – Business-Type Activities beginning balance was \$5,475,584 and ending balance was \$5,477,827. Business-Type Activities Total Capital Assets – Net of Depreciation ending balance was \$3,660,600. The addition was for Utility Software for \$2,243. There were no capital asset disposals in the year ended March 31, 2012.

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 prior year, the Township entered into a contract payable with the West Branch Area Wastewater Treatment Plant Authority for the construction and operation of a sewage treatment facility. There were additional Bond Proceeds in the current year, increasing the contract payable by \$1,277,609. Payments are being made out of the Water and Sanitary Sewer Fund.

At year's end, long-term debt amounted to \$3,356,548. Such debt includes *Contracts Payable*, *Notes Payable* and *Bonds Payable*.

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

Economic Factors

The Township Board continues to work hard to keep expenditures down and to maintain revenue levels that are within their control. Revenue sharing from the State of Michigan is the greatest source of revenue for the Township's General Fund at approximately 53%. 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 (53%) followed Public Works (30%) and Public Safety (11%).

In the current year, the General Fund experienced an 11% 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 ASSETS
March 31, 2012

	<u>Primary Government</u>			Component Unit
	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>	<u>Downtown Development Authority</u>
<u>Assets</u>				
Cash and Cash Equivalents (Note 2)	\$ 602,946	\$ 237,136	\$ 840,082	\$ 467,763
Investments (Note 2)	102,851	806,328	909,179	0
Receivables:				
Property Taxes	10,927	0	10,927	0
Special Assessments	17,462	0	17,462	0
Accounts, Net	0	81,217	81,217	0
Interest	33	251	284	0
Due from Primary Government (Note 3)	0	0	0	3,667
Due from Local Units	17	0	17	0
Due from State	29,812	0	29,812	0
Internal Balances	20,173	(20,173)	0	0
Real Property Held for Sale	5,800	0	5,800	0
Noncurrent Assets:				
Long-Term Special Assessments Receivable	38,610	0	38,610	0
Investment in West Branch Area Wastewater Treatment Plant Authority (Note 1)	0	3,074,062	3,074,062	0
Capital Assets Not Being Depreciated (Note 4)	36,436	26,700	63,136	21,889
Capital Assets, Net of Accumulated Depreciation (Note 4)	<u>31,773</u>	<u>3,633,900</u>	<u>3,665,673</u>	<u>0</u>
Total Assets	<u>896,840</u>	<u>7,839,421</u>	<u>8,736,261</u>	<u>493,319</u>
<u>Liabilities</u>				
Accounts Payable	8,958	3,040	11,998	8,693
Due to Local Units	890	32,469	33,359	0
Due to Component Unit (Note 3)	3,667	0	3,667	0
Accrued Interest Payable	0	16,434	16,434	0
Accrued Liabilities	1,766	0	1,766	0
Long Term Liabilities: (Note 6)				
Due Within One Year	11,821	235,852	247,673	0
Due In More Than One Year	<u>106,179</u>	<u>3,002,696</u>	<u>3,108,875</u>	<u>0</u>
Total Liabilities	<u>133,281</u>	<u>3,290,491</u>	<u>3,423,772</u>	<u>8,693</u>
<u>Net Assets</u>				
Invested in Capital Assets, Net of Related Debt	68,209	3,401,678	3,469,887	21,889
Restricted For:				
Gypsy Moth Suppression and Control	52,005	0	52,005	0
Economic Development	0	0	0	462,737
Capital Projects	27,338	0	27,338	0
Unrestricted	<u>616,007</u>	<u>1,147,252</u>	<u>1,763,259</u>	<u>0</u>
Total Net Assets	<u>\$ 763,559</u>	<u>\$ 4,548,930</u>	<u>\$ 5,312,489</u>	<u>\$ 484,626</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, 2012

Function/Program	Net (Expense) Revenue and Changes in Net Assets							Component Unit Downtown Development Authority
	Expenses	Program Revenues			Primary Government			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total	
Primary Government								
Governmental Activities:								
General Government:								
Legislative and Executive	\$ 67,586	\$ 0	\$ 0	\$ 0	\$ (67,586)	\$ 0	\$ (67,586)	
Financial and Tax Administration	69,750	33,458	0	0	(36,292)	0	(36,292)	
Other General Government	20,999	3,657	0	0	(17,342)	0	(17,342)	
Public Safety:								
Fire	32,413	0	0	0	(32,413)	0	(32,413)	
Public Works:								
Solid Waste	13,437	14,243	0	0	806	0	806	
Other Public Works	74,789	55,960	3,389	0	(15,440)	0	(15,440)	
Community and Economic Development	<u>14,055</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(14,055)</u>	<u>0</u>	<u>(14,055)</u>	
Total Governmental Activities	<u>293,029</u>	<u>107,318</u>	<u>3,389</u>	<u>0</u>	<u>(182,322)</u>	<u>0</u>	<u>(182,322)</u>	
Business-Type Activities:								
Water and Sanitary Sewer Services	332,232	270,146	0	0	0	(62,086)	(62,086)	
Water #2 Services	<u>156,728</u>	<u>72,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(84,728)</u>	<u>(84,728)</u>	
Total Business-Type Activities	<u>488,960</u>	<u>342,146</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(146,814)</u>	<u>(146,814)</u>	
Total Primary Government	<u>\$ 781,989</u>	<u>\$ 449,464</u>	<u>\$ 3,389</u>	<u>\$ 0</u>	<u>(182,322)</u>	<u>(146,814)</u>	<u>(329,136)</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, 2012

Function/Program	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Unit	
					Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
<u>Component Unit</u>								
Downtown Development Authority	\$ <u>15,060</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>				\$ <u>(15,060)</u>
General Revenue:								
Property Taxes Levied For:								
General Operating					91,497	0	91,497	306,246
State Revenue Sharing					186,720	0	186,720	0
Payments from Component Unit					0	208,078	208,078	0
Payments to Primary Government					0	0	0	(208,078)
Interest and Investment Earnings					3,008	5,387	8,395	2,138
Rent Income					586	8,712	9,298	0
Other					5,338	5,285	10,623	0
Transfers					4,477	(4,477)	0	0
Total General Revenue					<u>291,626</u>	<u>222,985</u>	<u>514,611</u>	<u>100,306</u>
Change in Net Assets					109,304	76,171	185,475	85,246
Net Assets - Beginning (Restated)					<u>654,255</u>	<u>4,472,759</u>	<u>5,127,014</u>	<u>399,380</u>
Net Assets - Ending					<u>\$ 763,559</u>	<u>\$ 4,548,930</u>	<u>\$ 5,312,489</u>	<u>\$ 484,626</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, 2012

		<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	
<u>ASSETS</u>	<u>General Fund</u>	<u>Gypsy Moth Fund</u>	<u>Refinery Redevelopment Fund</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents (Note 2)	\$ 600,024	\$ 2,922	\$ 0	\$ 602,946
Investments (Note 2)	0	75,543	27,308	102,851
Receivables:				
Property Taxes	10,927	0	0	10,927
Special Assessments	56,072	0	0	56,072
Interest	0	3	30	33
Due from Local Units	17	0	0	17
Due from State	29,812	0	0	29,812
Due from Other Funds (Note 3)	20,173	0	0	20,173
Real Property Held for Sale	<u>5,800</u>	<u>0</u>	<u>0</u>	<u>5,800</u>
 Total Assets	 <u>\$ 722,825</u>	 <u>\$ 78,468</u>	 <u>\$ 27,338</u>	 <u>\$ 828,631</u>
 <u>LIABILITIES AND FUND EQUITY</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 8,958	\$ 0	\$ 0	\$ 8,958
Due to Local Units	890	0	0	890
Due to Component Unit	3,667	0	0	3,667
Accrued Liabilities	1,766	0	0	1,766
Deferred Revenue (Note 5)	<u>56,072</u>	<u>0</u>	<u>0</u>	<u>56,072</u>
Total Liabilities	<u>71,353</u>	<u>0</u>	<u>0</u>	<u>71,353</u>
 <u>Fund Equity</u>				
Fund Balances:				
Nonspendable				
Inventory	5,800	0	0	5,800
Restricted				
Gypsy Moth Suppression and Control	0	52,005	0	52,005
Capital Projects	0	0	27,338	27,338
Committed				
Gypsy Moth Suppression and Control	0	26,463	0	26,463
Assigned				
2012/2013 Budgeted Expenditures	38,833	0	0	38,833
Unassigned	<u>606,839</u>	<u>0</u>	<u>0</u>	<u>606,839</u>
Total Fund Equity	<u>651,472</u>	<u>78,468</u>	<u>27,338</u>	<u>757,278</u>
 Total Liabilities and Fund Equity	 <u>\$ 722,825</u>	 <u>\$ 78,468</u>	 <u>\$ 27,338</u>	 <u>\$ 828,631</u>

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

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
March 31, 2012

Total Governmental Fund Balances		\$	757,278
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, therefore, are not reported as assets in governmental funds. Capital assets at year end consist of:			
Capital Asset Cost	\$	103,228	
Accumulated Depreciation		<u>(35,019)</u>	
			68,209
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds:			
Special Assessments Receivable			56,072
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>(118,000)</u>
Total Net Assets - Governmental Activities		\$	<u>763,559</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, 2012

		<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	
	<u>General Fund</u>	<u>Gypsy Moth Fund</u>	<u>Refinery Redevelopment Fund</u>	<u>Total Governmental Funds</u>
<u>Revenue</u>				
Property Taxes	\$ 124,955	\$ 0	\$ 0	\$ 124,955
State Shared Revenue	190,609	0	0	190,609
Licenses and Permits	1,218	0	0	1,218
Charges for Services	15,443	0	0	15,443
Interest and Rentals	2,784	398	412	3,594
Special Assessments	14,918	0	0	14,918
Other Revenue	<u>6,577</u>	<u>0</u>	<u>0</u>	<u>6,577</u>
Total Revenue	<u>356,504</u>	<u>398</u>	<u>412</u>	<u>357,314</u>
<u>Expenditures</u>				
Current:				
General Government:				
Legislative	51,037	0	0	51,037
Chief Executive	16,549	0	0	16,549
Financial and Tax Administration	69,750	0	0	69,750
Other General Government	17,873	0	0	17,873
Public Safety	32,413	0	0	32,413
Public Works	88,226	0	0	88,226
Community and Economic Development	14,055	0	0	14,055
Capital Outlay	<u>1,345</u>	<u>0</u>	<u>0</u>	<u>1,345</u>
Total Expenditures	<u>291,248</u>	<u>0</u>	<u>0</u>	<u>291,248</u>
Excess of Revenue Over Expenditures	65,256	398	412	66,066
<u>Other Financing Sources</u>				
Operating Transfers In	<u>0</u>	<u>0</u>	<u>4,477</u>	<u>4,477</u>
Excess of Revenue and Other Sources Over Expenditures	65,256	398	4,889	70,543
Fund Balances - Beginning of Year	<u>586,216</u>	<u>78,070</u>	<u>22,449</u>	<u>686,735</u>
Fund Balances - End of Year	<u>\$ 651,472</u>	<u>\$ 78,468</u>	<u>\$ 27,338</u>	<u>\$ 757,278</u>

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

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2012

Total Net Change in Fund Balances - Governmental Funds	\$	70,543
Amounts reported for governmental activities in the statement of activities are different because:		
Receivables not currently available are reported as revenue when collected or when currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements:		
Special Assessments		40,542
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		<u>(1,781)</u>
Change in Net Assets of Governmental Activities	\$	<u>109,304</u>

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

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
March 31, 2012

	Enterprise Funds		
	Major Funds		
	Water and Sanitary Sewer Fund	Water #2 Fund	Total
<u>Assets</u>			
Current Assets:			
Cash and Cash Equivalents (Note 2)	\$ 165,505	\$ 71,631	\$ 237,136
Investments (Note 2)	470,762	335,566	806,328
Receivables:			
Accounts, Net	67,333	13,884	81,217
Interest Receivable	136	115	251
Due from Other Funds (Note 3)	66,575	0	66,575
Total Current Assets	770,311	421,196	1,191,507
Noncurrent Assets:			
Investment in West Branch Area Wastewater Treatment Plant Authority (Note 1)	3,074,062	0	3,074,062
Capital Assets Not Being Depreciated (Note 4)	3,700	23,000	26,700
Capital Assets, Net of Accumulated Depreciation (Note 4)	2,344,661	1,289,239	3,633,900
Total Noncurrent Assets	5,422,423	1,312,239	6,734,662
Total Assets	6,192,734	1,733,435	7,926,169
<u>Liabilities</u>			
Current Liabilities:			
Accounts Payable	1,023	2,017	3,040
Due to Other Funds (Note 3)	0	86,748	86,748
Due to Local Units	32,469	0	32,469
Accrued Interest Payable	12,905	3,529	16,434
Current Portion of Long-Term Liabilities (Note 6)	101,510	134,342	235,852
Total Current Liabilities	147,907	226,636	374,543
Long-Term Liabilities:			
Due in More Than One Year (Note 6)	2,932,696	70,000	3,002,696
Total Liabilities	3,080,603	296,636	3,377,239
<u>Net Assets</u>			
Invested In Capital Assets, Net of Related Debt	2,293,781	1,107,897	3,401,678
Unrestricted	818,350	328,902	1,147,252
Total Net Assets	\$ 3,112,131	\$ 1,436,799	\$ 4,548,930

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 ASSETS
PROPRIETARY FUNDS
For the Year Ended March 31, 2012

	Enterprise Funds		
	Major Funds		
	Water and Sanitary Sewer Fund	Water #2 Fund	Total
<u>Operating Revenue</u>			
Charges For Services	\$ 269,396	\$ 71,650	\$ 341,046
Service Connection Charges	750	350	1,100
Rentals	0	8,712	8,712
Other Revenue	4,885	400	5,285
Total Operating Revenue	<u>275,031</u>	<u>81,112</u>	<u>356,143</u>
<u>Operating Expenses</u>			
Salaries and Wages	0	6,365	6,365
Payroll Taxes and Employee Benefits	0	956	956
Depreciation and Amortization	94,498	39,845	134,343
Dues and Subscriptions	0	300	300
Insurance and Bonds	416	850	1,266
Operating Supplies	2,652	878	3,530
Postage	0	139	139
Printing and Advertising	0	403	403
Professional Fees and Services	13,802	12,792	26,594
Repair and Maintenance	2,525	62,134	64,659
Travel and Training	0	2,200	2,200
Utilities	3,851	7,982	11,833
Water Purchases	131,637	4,982	136,619
Other	6,422	550	6,972
Total Operating Expenses	<u>255,803</u>	<u>140,376</u>	<u>396,179</u>
Operating Income (Loss)	<u>19,228</u>	<u>(59,264)</u>	<u>(40,036)</u>
<u>Nonoperating Revenue (Expenses)</u>			
Interest and Investment Earnings	3,246	2,141	5,387
Interest and Fees Expense	<u>(76,429)</u>	<u>(16,352)</u>	<u>(92,781)</u>
Total Nonoperating Revenue (Expenses)	<u>(73,183)</u>	<u>(14,211)</u>	<u>(87,394)</u>
Loss Before Operating Transfers	<u>(53,955)</u>	<u>(73,475)</u>	<u>(127,430)</u>
Operating Transfers from Component Unit	61,488	146,590	208,078
Operating Transfers Out	<u>(4,477)</u>	<u>0</u>	<u>(4,477)</u>
Net Operating Transfers	<u>57,011</u>	<u>146,590</u>	<u>203,601</u>
Change in Net Assets	3,056	73,115	76,171
Net Assets - Beginning of Year (Restated)	<u>3,109,075</u>	<u>1,363,684</u>	<u>4,472,759</u>
Net Assets - End of Year	<u>\$ 3,112,131</u>	<u>\$ 1,436,799</u>	<u>\$ 4,548,930</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, 2012

	Enterprise Funds		
	Major Funds		
	Water and Sanitary Sewer Fund	Water #2 Fund	Total
<u>Cash Flows From Operating Activities</u>			
Receipts From Customers	\$ 274,923	\$ 80,475	\$ 355,398
Payments to Suppliers for Goods and Services	(160,249)	(92,980)	(253,229)
Payments to Employees for Services	0	(7,321)	(7,321)
Net Cash Provided (Used) by Operating Activities	114,674	(19,826)	94,848
<u>Cash Flows From Non-Capital Financing Activities</u>			
Cash Paid to Other funds	(4,177)	(1,794)	(5,971)
<u>Cash Flows From Capital and Related Financing Activities</u>			
Acquisition and Construction of Capital Assets	(2,243)	0	(2,243)
Cash Received from Component Unit	61,488	146,590	208,078
Principal Paid on Long-Term Debt	(100,695)	(130,000)	(230,695)
Interest and Fees Paid on Long-Term Debt	(78,433)	(16,590)	(95,023)
Net Cash Used by Capital and Related Financing Activities	(119,883)	0	(119,883)
<u>Cash Flows From Investing Activities</u>			
Interest on Investments	378	135	513
Net Decrease in Cash and Cash Equivalents	(9,008)	(21,485)	(30,493)
Cash and Cash Equivalents at Beginning of Year (Note 1)	174,513	93,116	267,629
Cash and Cash Equivalents at End of Year (Note 1)	\$ 165,505	\$ 71,631	\$ 237,136
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</u>			
Operating Income (Loss)	\$ 19,228	\$ (59,264)	\$ (40,036)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation and Amortization Expense	94,498	39,845	134,343
Change in Assets and Liabilities:			
Accounts Receivable, Net	(108)	(637)	(745)
Accounts Payable and Accrued Liabilities	1,056	230	1,286
Net Cash Provided (Used) by Operating Activities	\$ 114,674	\$ (19,826)	\$ 94,848

Supplemental Disclosures:

Noncash Capital and Related Financing Activities

The Township recorded noncash activity by increasing their investment in the West Branch Area Wastewater Treatment Plant Authority by \$1,277,609 through additional Bond Proceeds to the Authority for a total investment of \$3,074,062.

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, 2012

	<u>Tax Collection Fund</u>
<u>ASSETS</u>	
Cash and Cash Equivalents (Note 2)	\$ <u>17</u>
<u>LIABILITIES</u>	
Due to Local Units	\$ <u>17</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, 2012

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. Private-sector standards of accounting issued after November 30, 1989, are generally followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies:

A. Description of Township Operations and Fund Types

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

B. Reporting Entity

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

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

1. Discretely Presented Component Unit

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

a. Governmental Activity and Fund Type Component Unit:

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

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Joint Ventures

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

Ogemaw Fire Department

The Township of West Branch is one member of the Ogemaw Fire Department which serves six governmental units. The Township contributes a pro-rata share of the budget of the Ogemaw Fire Department calculated based on the state equalized value (SEV) of the participating municipalities, as provided by the by-laws of the Ogemaw Fire Department. The Township's contribution to the Ogemaw Fire Department for the year ended March 31, 2012 was \$32,413.

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 \$1,215,212 at December 31, 2011.

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

West Branch Area Wastewater Treatment Plant Authority

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

The construction was originally funded with the proceeds of the West Branch Area Wastewater Treatment Plant Authority Limited Tax General Obligation Bonds series 2009A and 2009B. The most current estimate of the Township's share is 24.7% of the total bond issue as of June 30, 2011 of \$3,965,000 and \$8,280,471 or \$979,355 and \$2,045,276, respectively. Each entity's percentage of payback will be based on actual gallon usage to be adjusted on an annual basis, after the Authority operations are up and running for two years. The assets of the joint sewage treatment facility are the property of the West Branch Area Wastewater Treatment Plant Authority and, therefore, are not presented in these financial statements. The members of this joint venture have pledged their full faith and credit for the payment and are obligated to make such payments from their Sewer Funds. Currently, the Township of West Branch is making payments through charges for services.

The current value of the Township of West Branch's investment in the West Branch Area Wastewater Treatment Plant Authority is \$3,074,062. 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, 2012

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

Fund Financial Statements

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

E. Fund Accounting

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

Governmental Funds

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

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Continued)

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

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

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

Proprietary Funds

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

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

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

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

Fiduciary Fund

Fiduciary fund reporting focuses on net assets and changes in net assets. 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 assets.

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, 2012

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 assets. The statement of changes in revenue, expenses, and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. 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 deferred revenue, 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 Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements were met have also been recorded as deferred revenue.

On governmental fund financial statements, receivables that were not collected within the available period are recorded as deferred revenue.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Basis of Accounting (Continued)

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 collectibility.

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, 2012 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 assets. The only interfund balances which remain on the government-wide statement of net assets are those between governmental and business-type activities. These amounts are reflected as "Internal Balances".

K. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets, 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 assets and in the respective funds.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets (Continued)

Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

L. Accrued Liabilities and Long-Term Obligations

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Township's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Fund Balances

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

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

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

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

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

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

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

O. Operating Revenues and Expenses

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

P. Interfund Activity

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

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year ended March 31, 2012.

R. Budgets and Budgetary Accounting

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

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

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

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

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

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

S. Use of Estimates

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

T. Reclassifications

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

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2012

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	\$ 602,946	\$ 237,136	\$ 17	\$ 840,099	\$ 467,763
Investments	<u>102,851</u>	<u>806,328</u>	<u>0</u>	<u>909,179</u>	<u>0</u>
Total	<u>\$ 705,797</u>	<u>\$ 1,043,464</u>	<u>\$ 17</u>	<u>\$ 1,749,278</u>	<u>\$ 467,763</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)	\$ 973,805	\$ 467,763
Investments in Municipal Investment Account Pooled Funds and Repurchase Agreement Securities and Similar Vehicles	<u>775,423</u>	<u>0</u>
Total	<u>\$ 1,749,228</u>	<u>\$ 467,763</u>

As of March 31, 2012, the Township had the following investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Specific Identification Maturities</u>
Primary Government:		
Investment Pools	\$ 461,404	Daily
Repurchase Agreements - Public Funds	<u>314,019</u>	Daily
	<u>\$ 775,423</u>	

Credit Risk

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

Custodial Credit Risk - Deposits - Primary Government

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2012, \$286,571 of the Township's bank balance of \$976,363 was exposed to custodial credit risk because it was uninsured and uncollateralized.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2012

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk - Deposits - Component Unit

In the case of deposits, this is the risk that in the event of a bank failure, the component unit's deposits may not be returned to it. As of March 31, 2012, \$227,206 of the Downtown Development Authority's bank balance of \$468,792 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.

Foreign Currency Risk

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

Investments

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

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

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

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2012

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables as of March 31, 2012 were as follows:

Fund	Interfund Receivable	Interfund Payable
Major Governmental Funds:		
General Fund	\$ <u>20,173</u>	\$ <u>0</u>
Major Enterprise Funds:		
Water and Sanitary Sewer Fund	66,575	0
Water #2 Fund	<u>0</u>	<u>86,748</u>
Total Major Enterprise Funds	<u>66,575</u>	<u>86,748</u>
	<u>\$ 86,748</u>	<u>\$ 86,748</u>
<u>Due to Component Unit</u>	<u>Due from Primary Government</u>	
General Fund	\$ <u>3,667</u>	Downtown Development Authority
		\$ <u>3,667</u>

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

NOTE 4 - CAPITAL ASSETS

Capital asset activity of the primary government for the fiscal year ended March 31, 2012, was as follows:

	Balance 04/01/11	Additions	Deletions	Balance 03/31/12
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ <u>36,436</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>36,436</u>
Capital Assets Being Depreciated:				
Land Improvements	2,350	0	0	2,350
Buildings and Improvements	44,860	0	0	44,860
Machinery and Equipment	<u>19,582</u>	<u>0</u>	<u>0</u>	<u>19,582</u>
Subtotal	<u>66,792</u>	<u>0</u>	<u>0</u>	<u>66,792</u>
Less Accumulated Depreciation for:				
Land Improvements	(1,170)	(139)	0	(1,309)
Buildings and Improvements	(14,048)	(894)	0	(14,942)
Machinery and Equipment	<u>(18,020)</u>	<u>(748)</u>	<u>0</u>	<u>(18,768)</u>
Subtotal	<u>(33,238)</u>	<u>(1,781)</u>	<u>0</u>	<u>(35,019)</u>
Capital Assets Being Depreciated	<u>33,554</u>	<u>(1,781)</u>	<u>0</u>	<u>31,773</u>
Governmental Activities Total				
Capital Assets - Net of Depreciation	<u>\$ 69,990</u>	<u>\$ (1,781)</u>	<u>\$ 0</u>	<u>\$ 68,209</u>

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2012

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	Balance 04/01/11	Additions	Deletions	Balance 03/31/12
<u>Business-Type Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 26,700	\$ 0	\$ 0	\$ 26,700
Capital Assets Being Depreciated:				
Machinery and Equipment	0	2,243	0	2,243
Distribution and Collection Systems	5,448,884	0	0	5,448,884
Subtotal	5,448,884	2,243	0	5,451,127
Less Accumulated Depreciation for:				
Machinery and Equipment	0	(187)	0	(187)
Distribution and Collection Systems	(1,683,958)	(133,082)	0	(1,817,040)
Subtotal	(1,683,958)	(133,269)	0	(1,817,227)
Capital Assets Being Depreciated	3,764,926	(131,026)	0	3,633,900
Business-Type Activities Total	\$ 3,791,626	\$ (131,026)	\$ 0	\$ 3,660,600

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

Governmental Activities

General Government:	
Other General Government	\$ 1,781

Business-Type Activities

Water and Sewer	\$ 94,083
Water #2	39,186

Total Business-Type Activities	\$ 133,269
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Capital asset activity of the Downtown Development Authority for the current year is as follows:

	Balance 04/01/11	Additions	Deletions	Balance 03/31/12
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ 0	\$ 21,889	\$ 0	\$ 21,889
Capital Assets Being Depreciated				
	0	0	0	0
Governmental Activities Total	\$ 0	\$ 21,889	\$ 0	\$ 21,889

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2012

NOTE 5 - DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned	Total
Special Assessments Receivable	\$ 56,072	\$ 0	\$ 56,072

NOTE 6 - LONG-TERM LIABILITIES

Primary Government:

A. Bonds Payable

	Governmental	Business-Type
General Obligation Bonds:		
Limited tax bonds 1998, dated November 1, 1998. The bonds bear interest from 4.7% to 4.85% and are due in annual installments through 2013.	\$ 0	\$ 65,000
Limited tax bonds 2000, dated August 1, 2000. The bonds bear interest from 5.30% to 5.40% and are due in annual installments through 2013.	0	55,000
Total Bonds Payable	0	120,000

B. Notes Payable

	Governmental	Business-Type
Brownfield Redevelopment Note for the Mulch Manufacturing Project. The note bears interest at 2% and is due in annual installments through 2022. Payments are scheduled to begin on June 20, 2012.	118,000	0

C. Contracts Payable

	Governmental	Business-Type
Water supply system agreement through Ogemaw County to finance the construction of the water supply system in West Branch Township. The construction was funded with the proceeds of the \$1,400,000 Ogemaw County - West Branch Water System Bonds, dated April 1, 1993, due in annual installments through May 1, 2013, bearing interest at the rate of 5.6%.	\$ 0	\$ 140,000

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2012

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

Primary Government: (Continued)

C. Contracts Payable (Continued)

	<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%.	0	2,979,626
Total Contracts Payable	0	3,119,626
Total Primary Government	\$ 118,000	\$ 3,239,626

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, 2012:

	<u>Balance</u> <u>04/01/11</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments or</u> <u>Expenditures</u>	<u>Balance</u> <u>03/31/12</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental Activities</u>					
Primary Government:					
Notes Payable	\$ 118,000	\$ 0	\$ 0	\$ 118,000	\$ 11,821
<u>Business-Type Activities</u>					
Primary Government:					
Bonds Payable	\$ 235,000	\$ 0	\$ (115,000)	\$ 120,000	\$ 120,000
Deferred Amounts on Issuance Discount	(2,152)	0	1,074	(1,078)	(1,078)
Total Bonds Payable, Net	232,848	0	(113,926)	118,922	118,922
Contracts Payable	1,957,712	1,277,609	(115,695)	3,119,626	116,930
Total Primary Government	\$ 2,190,560	\$ 1,277,609	\$ (229,621)	\$ 3,238,548	\$ 235,852

The interest expense on long-term obligations for the year was \$89,785.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2012

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

The annual aggregate maturities for all debt outstanding as of March 31, 2012 are as follows:

Primary Government

Bonds Payable	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2013	\$ <u>0</u>	\$ <u>0</u>	\$ <u>120,000</u>	\$ <u>6,123</u>	\$ <u>126,123</u>

Contracts Payable	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2013	\$ 0	\$ 0	\$ 116,930	\$ 81,230	\$ 198,160
2014	0	0	118,809	76,123	194,932
2015	0	0	50,044	72,929	122,973
2016	0	0	51,309	71,663	122,972
2017	0	0	52,607	70,366	122,973
2018 - 2022	0	0	283,676	331,189	614,865
2023 - 2027	0	0	321,405	293,460	614,865
2028 - 2032	0	0	364,152	250,712	614,864
2033 - 2037	0	0	412,585	202,280	614,865
2038 - 2042	0	0	467,459	147,406	614,865
2043 - 2047	0	0	529,632	85,233	614,865
2048 - 2050	<u>0</u>	<u>0</u>	<u>351,018</u>	<u>17,901</u>	<u>368,919</u>
Total	\$ <u>0</u>	\$ <u>0</u>	\$ <u>3,119,626</u>	\$ <u>1,700,492</u>	\$ <u>4,820,118</u>

Notes Payable	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2013	\$ 11,821	\$ 0	\$ 0	\$ 0	\$ 11,821
2014	9,697	2,124	0	0	11,821
2015	9,891	1,930	0	0	11,821
2016	10,089	1,732	0	0	11,821
2017	10,291	1,530	0	0	11,821
2018 - 2022	54,623	4,479	0	0	59,102
2023	<u>11,588</u>	<u>231</u>	<u>0</u>	<u>0</u>	<u>11,819</u>
Total	\$ <u>118,000</u>	\$ <u>12,026</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>130,026</u>

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real property and tangible personal property located in the Township. Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the County tax rolls. For the current year, the taxable value for properties located within the Township was \$108,969,360. The tax rates were .9041 mills for operating.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2012

NOTE 8 - OPERATING TRANSFERS

During the year ended March 31, 2012, the following transfers were made:

Description	Operating Transfers In	Operating Transfers Out
<u>Major Funds</u>		
Major Governmental Funds:		
Refinery Redevelopment Fund	\$ 4,477	\$ 0
Major Business-Type Activity Fund:		
Water and Sanitary Sewer Fund	0	4,477
Total Major Funds	\$ 4,477	\$ 4,477

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

NOTE 9 - 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, 2012, the Township contributed \$10,782 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.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2012

NOTE 11 - PRIOR PERIOD ADJUSTMENT

In the prior year, the Water and Sanitary Sewer Fund had a receivable for a special assessment that was actually paid off with the 2010 tax roll. A prior period adjustment has been recorded to reduce the prior year receivable in the Water and Sanitary Sewer Fund for the total amount mistakenly recorded of \$9,313.

	Primary Government	
	Business-Type Activities	Water and Sanitary Sewer Fund
Net Assets / Fund Balance - Beginning	\$ 4,482,072	\$ 3,118,388
Adjustment for Receivables	(9,313)	(9,313)
Net Assets / Fund Balance - Beginning (Restated)	\$ 4,472,759	\$ 3,109,075

NOTE 12 - COMMITMENTS

The Township has contractual commitments in the amount of \$431,014 outstanding at March 31, 2012.

Construction contracts

As of March 31, 2012, the Township entered into three contracts for their Streetscape Project; however, no work had begun on two of the contracts prior to year end:

Project	Total Contract	Remaining Construction Commitment at March 31, 2012	Contract Payable at March 31, 2012
Bridges - York Professional Bridge Company	\$ 165,800	\$ 165,800	\$ 0
Streetlights - Robert C. Shaver Co.	\$ 216,656	\$ 216,656	\$ 0
Engineering - Lapham Associates	69,000	48,558	8,693
Total	\$ 451,456	\$ 431,014	\$ 8,693

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, 2012

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenue</u>				
Property Taxes	\$ 114,700	\$ 121,990	\$ 124,955	\$ 2,965
State Shared Revenue	164,000	173,500	190,609	17,109
Licenses and Permits	1,250	1,550	1,218	(332)
Charges for Services	17,000	17,000	15,443	(1,557)
Interest and Rentals	1,500	1,500	2,784	1,284
Special Assessments	10,000	20,124	14,918	(5,206)
Other Revenue	6,940	6,290	6,577	287
Total Revenue	<u>315,390</u>	<u>341,954</u>	<u>356,504</u>	<u>14,550</u>
<u>Expenditures</u>				
Current:				
General Government:				
Legislative	44,875	51,475	51,037	438
Chief Executive	18,460	18,460	16,549	1,911
Financial and Tax Administration	79,973	78,673	69,750	8,923
Other General Government	24,140	26,490	17,873	8,617
Public Safety	53,000	45,000	32,413	12,587
Public Works	135,299	191,446	88,226	103,220
Health and Welfare	21,130	0	0	0
Community and Economic Development	20,075	22,925	14,055	8,870
Capital Outlay	1,000	3,345	1,345	2,000
Total Expenditures	<u>397,952</u>	<u>437,814</u>	<u>291,248</u>	<u>146,566</u>
Excess of Revenue Over (Under) Expenditures	(82,562)	(95,860)	65,256	161,116
<u>Other Financing Sources</u>				
Operating Transfers In	<u>50,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenue and Other Sources Over (Under) Expenditures	(32,562)	(95,860)	65,256	161,116
Fund Balances - Beginning of Year	<u>586,216</u>	<u>586,216</u>	<u>586,216</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 553,654</u>	<u>\$ 490,356</u>	<u>\$ 651,472</u>	<u>\$ 161,116</u>

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 GYPSY MOTH FUND - SPECIAL REVENUE FUND
For the Year Ended March 31, 2012

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenue</u>				
Interest and Rentals	\$ 1,000	\$ 1,000	\$ 398	\$ (602)
<u>Expenditures</u>				
Current:				
Other	<u>500</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenue Over (Under) Expenditures	500	1,000	398	(602)
Fund Balances - Beginning of Year	<u>78,070</u>	<u>78,070</u>	<u>78,070</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 78,570</u>	<u>\$ 79,070</u>	<u>\$ 78,468</u>	<u>\$ (602)</u>

OTHER INFORMATION

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

BALANCE SHEET
DOWNTOWN DEVELOPMENT AUTHORITY - COMPONENT UNIT
GOVERNMENTAL FUND
March 31, 2012

Downtown
Development
Authority

ASSETS

Cash and Cash Equivalents	\$	467,763
Due from Primary Government		<u>3,667</u>
Total Assets	\$	<u><u>471,430</u></u>

LIABILITIES AND FUND EQUITY

<u>Liabilities</u>		
Accounts Payable	\$	8,693
<u>Fund Equity</u>		
Fund Balance:		
Restricted		
Economic Development		<u>462,737</u>
Total Liabilities and Fund Equity	\$	<u><u>471,430</u></u>

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

DOWNTOWN DEVELOPMENT AUTHORITY - COMPONENT UNIT -
RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
March 31, 2012

Total Governmental Fund Balances \$ 462,737

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, therefore, are not reported as assets in governmental funds. Capital assets at year end consist of:

Capital Asset Cost 21,889

Total Net Assets - Governmental Activities \$ 484,626

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, 2012

	<u>Downtown Development Authority</u>
<u>Revenue</u>	
Property Taxes	\$ 306,246
Interest and Rentals	2,138
Total Revenue	<u>308,384</u>
<u>Expenditures</u>	
Current:	
Community and Economic Development	15,060
Capital Outlay	<u>21,889</u>
Total Expenditures	<u>36,949</u>
Excess of Revenue Over Expenditures	271,435
<u>Other Financing Uses</u>	
Operating Transfers to Primary Government	<u>(208,078)</u>
Excess of Revenue Over Expenditures and Other Uses	63,357
Fund Balances - Beginning of Year	<u>399,380</u>
Fund Balances - End of Year	<u>\$ 462,737</u>

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

DOWNTOWN DEVELOPMENT AUTHORITY - COMPONENT UNIT -
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2012

Total Net Change in Fund Balances - Governmental Funds	\$	63,357
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Outlay		<u>21,889</u>
Change in Net Assets of Governmental Activities	\$	<u>85,246</u>



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

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

June 19, 2012

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

We have audited the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Township of West Branch for the year ended March 31, 2012 and have issued our report dated June 19, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. The appendices to this letter set forth those communications as follows:

I Communication with Those Charged with Governance

II Management Comments

We discussed these matters with various personnel of the Township during the audit and met with management on June 7, 2012. We would also be pleased to meet with you to discuss these matters at your convenience.

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

Very truly yours,

Stephenson, Gracik & Co., P.C.

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

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 26, 2012, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit as outlined in our engagement letter related to planning matters dated April 26, 2012.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

- Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township of West Branch are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the Township changed their accounting policies related to Fund Balance by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", in 2012. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Balance Sheet. We noted no transactions entered into by the governmental 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.
- Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users.

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 trivial, and communicate them to the appropriate level of management. The adjustments identified during the audit have been communicated to management. A summary of audit differences, both adjusted and unadjusted was provided to management on June 19, 2012. Management has determined that the effects of the unadjusted audit differences are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

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

Management Representations

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

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

APPENDIX II MANAGEMENT COMMENTS

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Township of West Branch as of and for the year ended March 31, 2012, 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 our auditing procedures 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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified one deficiency in internal control that we consider to be a material weakness and one deficiency that we consider to be a significant deficiency.

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 the Township of West Branch's 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 the Township's financial statements. However, if at any point in the audit we as auditors are part of the Township's control system for producing reliable financial statements, auditing standards indicate that the Township has a control deficiency. If Management is not able to prepare financial statements, including disclosures, and the auditors are contracted to prepare these statements, this is considered a control deficiency. We recommend that Management and those charged with governance evaluate and document their decision on the costs and benefits of whether to contract for this service with our firm.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the Township of West Branch's internal control to be a significant deficiency:

SEGREGATION OF DUTIES

In the prior year audit, it was noted that the Township of West Branch had a considerable lack of segregation of duties within its Utility Billing transaction cycle. During the current audit, we did not see any changes to the previously discussed areas of concern, and therefore felt it necessary to reiterate those concerns to the Board again. For proper internal controls, an attempt should be made to segregate the duties of custody, authorization, and recordkeeping. Currently, one individual at the Township is responsible for reviewing all usage reports, preparing and mailing billings, receipting billings, preparing billing adjustments, and handling customer complaints. Although the size of the Township's staff prohibits complete segregation of duties in this transaction cycle, we believe that implementing the following practices could greatly improve existing internal control without impairing efficiency:

- Detailed billing registers and bills to be mailed, should be reviewed carefully by an individual other than the one preparing the register and bills. This review should be documented with initialing and dating of the register.

**APPENDIX II
MANAGEMENT COMMENTS**

- An individual other than the one preparing billings and receipts should review any adjustments for unusual items. Again, this review should be documented with the initialing and dating of the report. Unusual items noted during these reviews should be investigated promptly.
- Customer complaints should be addressed initially to an individual other than the one preparing billings and doing the receipting. This individual should investigate the cause of the complaint and the reasonableness of the complaint.

STATUS OF PRIOR YEAR COMMENTS:

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

<u>Comment</u>	<u>Implemented/ Situation Corrected</u>	<u>Management Decision To Not Implement</u>	<u>Progress Made</u>	<u>Situation Still Exists</u>
Financial Statement Preparation		X		
Segregation of Duties - Water & Sewer Billing				X
Supporting Documentation for Disbursements			X	