

Michigan Department of Treasury
498 (02/06)

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name WEST BRANCH TOWNSHIP	County OGEMAW
Fiscal Year End March 31, 2006	Opinion Date May 25, 2006	Date Audit Report Submitted to State September 20, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. The local unit has adopted a budget for all required funds.
5. A public hearing on the budget was held in accordance with State statute.
6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. The local unit only holds deposits/investments that comply with statutory requirements.
9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. The local unit is free of repeated comments from previous years.
12. The audit opinion is UNQUALIFIED.
13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. The board or council approves all invoices prior to payment as required by charter or statute.
15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	<input checked="" type="checkbox"/>	
The letter of Comments and Recommendations	<input type="checkbox"/>	Not required.
Other (Describe)	<input type="checkbox"/>	
Certified Public Accountant (Firm Name) WEINLANDER FITZHUGH	Telephone Number 989-893-5577	
Street Address 1600 CENTER AVENUE	City BAY CITY	State MI Zip 48708
Authorizing CPA Signature 	Printed Name DAVID D. QUIMBY	License Number 1101015265



WEINLANDER FITZHUGH

TOWNSHIP OF WEST BRANCH
OGEMAW COUNTY, MICHIGAN

FINANCIAL STATEMENTS
MARCH 31, 2006

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WEINLANDER FITZHUGH

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INDEPENDENT AUDITORS' REPORT

May 25, 2006

Township Board
Township of West Branch
Ogemaw County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of West Branch, West Branch, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the index. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type-activities, each major fund, and the aggregate remaining fund information of the Township of West Branch as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

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RSM McGladrey Network

An Independently Owned Member



WEINLANDER FITZHUGH

Township Board
Township of West Branch
May 25, 2006
Page 2

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

In accordance with Government Auditing Standards, we have also issued our report dated May 25, 2006 on our consideration of the Township of West Branch's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Weinlander Fitzhugh

TOWNSHIP OF WEST BRANCH
Management's Discussion & Analysis
For the Year Ended March 31, 2006

Our discussion and analysis of the Township of West Branch's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2006.

Financial Highlights

State shared revenues accounted for \$186,029 or 50% of the Township's general fund revenues. In addition, tax collection revenue was \$124,336 or 33% of the Township's general fund revenues. The General Fund reported an increase in fund balance of \$68,304.

Using this Annual Financial Report

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

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

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

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

Basic Financial Statements

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

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

Other Supplemental Information

TOWNSHIP OF WEST BRANCH
Management's Discussion & Analysis
For the Year Ended March 31, 2006

Reporting the Township as a Whole

The Statement of Net Assets and Statement of Activities

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

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

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

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

Reporting the Township's Most Significant Funds

Fund Financial Statements

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

TOWNSHIP OF WEST BRANCH
Management's Discussion & Analysis
For the Year Ended March 31, 2006

Governmental Funds

Most of the Township's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the Township's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

Proprietary Funds

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

These funds present the Township's water and sewer operations that are managed by the Ogemaw County Department of Water and Sewer and the Township. The Township has sole authority to set rates and is financially responsible for the integrity of the system. The financial statements reflect the financial position and results of operations for the system for the fiscal year ending March 31, 2006.

Fiduciary Funds

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

Government -wide Financial Analysis

Financial position - The statement of net assets provides the perspective of the Township as a whole. Exhibit A provides a summary of the Township's net assets as of March 31, 2006 and 2005.

TOWNSHIP OF WEST BRANCH
Management's Discussion & Analysis
For the Year Ended March 31, 2006

Exhibit A

	Governmental Activities		Business-Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Assets						
Current and other assets	\$ 546,115	\$ 488,432	\$ 765,164	\$ 705,971	\$ 1,311,279	\$ 1,194,403
Capital assets - net of accumulated depreciation	53,658	19,511	2,785,695	2,828,471	2,839,353	2,847,982
Total assets	<u>599,773</u>	<u>507,943</u>	<u>3,550,859</u>	<u>3,534,442</u>	<u>4,150,632</u>	<u>4,042,385</u>
Liabilities						
Current liabilities	10,566	18,611	198,859	203,386	209,425	221,997
Long-term liabilities	<u>0</u>	<u>0</u>	<u>1,110,000</u>	<u>1,270,000</u>	<u>1,110,000</u>	<u>1,270,000</u>
Total liabilities	<u>10,566</u>	<u>18,611</u>	<u>1,308,859</u>	<u>1,473,386</u>	<u>1,319,425</u>	<u>1,491,997</u>
Net Assets						
Invested in capital assets - net of related debt	53,658	19,511	1,499,733	1,423,231	1,553,391	1,442,742
Unrestricted	<u>535,549</u>	<u>469,821</u>	<u>742,267</u>	<u>637,825</u>	<u>1,277,816</u>	<u>1,107,646</u>
Total net assets	<u>\$ 589,207</u>	<u>\$ 489,332</u>	<u>\$ 2,242,000</u>	<u>\$ 2,061,056</u>	<u>2,831,207</u>	<u>2,550,388</u>

Exhibit A focuses on net assets. The Township's total net assets were \$2,831,207. Capital assets - net of related debt, totaling \$1,553,391 compares the original cost, less depreciation of the Township's capital assets to long-term debt used to finance the acquisition of those assets.

The \$1,277,816 of unrestricted net assets of governmental and business-type activities represents the *accumulated* results of all past years' operations. The operating results of the General, Special Revenue, and Enterprise Funds will have a significant impact on the change in unrestricted assets from year to year.

Results of operations - The results of this year's operations for the Township as a whole are reported in the statement of activities, which shows the changes in net assets for the year ended March 31, 2006. Exhibit B provides a summary of the Township's operations for 2006 and 2005.

TOWNSHIP OF WEST BRANCH
Management's Discussion & Analysis
For the Year Ended March 31, 2006

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<u>Exhibit B</u>						
Revenue						
Program revenue:						
Charges for services	\$ 33,072	\$ 26,224	\$ 248,244	\$ 302,662	\$ 281,316	\$ 328,886
Grants and contributions	0	0	227,571	222,885	227,571	222,885
General revenue:						
Taxes	124,336	123,975	0	0	124,336	123,975
State shared revenue	186,029	177,856	0	0	186,029	177,856
Interest and investment earnings	12,963	3,989	20,443	9,527	33,406	13,516
Other	18,575	24,804	8,728	15,828	27,303	40,632
Total revenue	<u>374,975</u>	<u>356,848</u>	<u>504,986</u>	<u>550,902</u>	<u>879,961</u>	<u>907,750</u>
Function/Program Expenses						
Legislative	64,980	49,937	0	0	64,980	49,937
General government	122,008	135,651	0	0	122,008	135,651
Public safety	49,486	42,929	0	0	49,486	42,929
Public works	61,661	149,298	0	0	61,661	149,298
Other	13,401	11,689	0	0	13,401	11,689
Water and sewer	0	0	324,042	311,460	324,042	311,460
Total expenses	<u>311,536</u>	<u>389,504</u>	<u>324,042</u>	<u>311,460</u>	<u>635,578</u>	<u>700,964</u>
Increase (Decrease) in Net Assets	<u>\$ 63,439</u>	<u>\$ (32,656)</u>	<u>\$ 180,944</u>	<u>\$ 239,442</u>	<u>\$ 244,383</u>	<u>\$ 206,786</u>

TOWNSHIP OF WEST BRANCH
 Management's Discussion & Analysis
 For the Year Ended March 31, 2006

As reported in the statement of activities, the cost of all of our *Governmental and Business-Type Activities* was \$635,578. Certain activities were partially funded by \$281,316 from those who benefited from the programs or by the other Townships and organizations that subsidized certain programs with contributions of \$227,571. We paid for the remaining "public benefit" portion of our governmental and business-type activities with \$124,336 in taxes, \$186,029 in state shared revenue, and with our other revenues, such as interest and miscellaneous revenues.

The governmental activities net assets experienced an increase of \$63,439 resulting from an increase in interest earned due to additional funds deposited. There was also an increase in charges for services due to an increase in wages for the assessor, supervisor, clerk and treasurer. In addition, there was an increase in shared revenue taxes from the previous year.

The water and sewer funds experienced an increase of \$180,944 resulting from customer charges over expenses for the year.

The Township's Funds

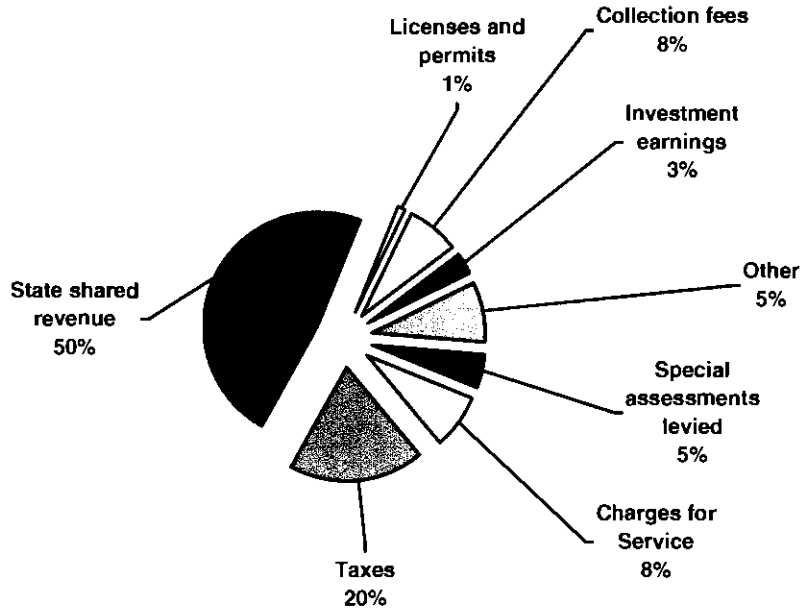
The Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township's overall financial health.

The Township's governmental funds reported a combined fund balance of \$535,549, which is an increase from last year's total of \$469,822. The schedule below details the fund balance and the total change in fund balances as of March 31, 2006.

	Fund Balance March 31, 2006	Fund Balance March 31, 2005	Increase (Decrease)
General fund	\$ 465,791	\$ 397,487	\$ 68,304
Special Revenue funds	69,758	72,335	(2,577)
Total	<u>\$ 535,549</u>	<u>\$ 469,822</u>	<u>\$ 65,727</u>

TOWNSHIP OF WEST BRANCH
Management's Discussion & Analysis
For the Year Ended March 31, 2006

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



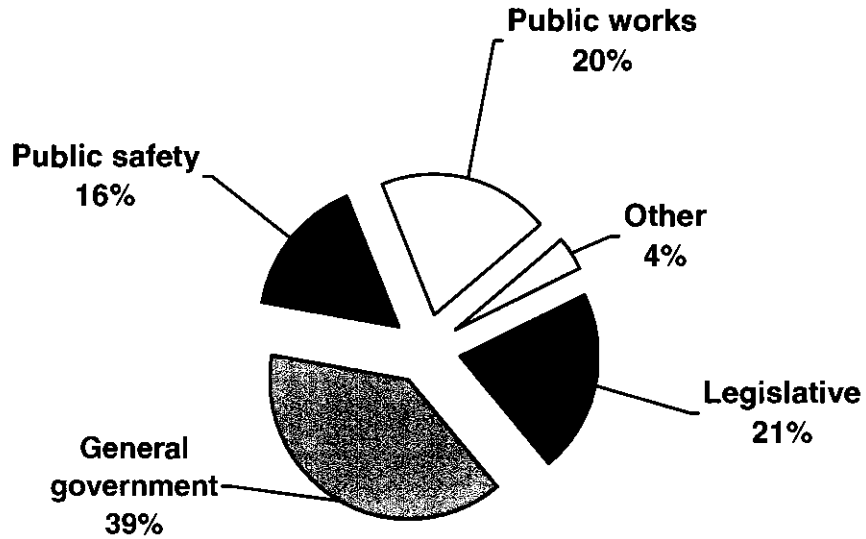
The chart below compares current year revenues with last year.

<i>Revenues by Function</i>	2006	2005	Percentage Change
Taxes	\$ 74,643	\$ 70,624	6%
Collection fees	30,360	28,445	7%
State shared revenue	186,029	177,856	5%
Special assessments levied	19,333	24,906	-22%
Charges for services	33,072	26,224	26%
Interest	10,852	3,989	172%
Licenses and permits	593	603	-2%
Other	17,980	24,201	-26%
Total	\$ 372,862	\$ 356,848	4%

Overall, 2006 revenues are up \$16,014 or 4% from 2005 mainly due to an increase in interest earned and charges for services for the assessor, supervisor, clerk and treasurer due to their increase in wages.

TOWNSHIP OF WEST BRANCH
Management's Discussion & Analysis
For the Year Ended March 31, 2006

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



The chart below compares current year expenditures with last year.

<i>Expenditures by Function</i>	2006	2005	Percentage Change
Legislative	\$ 64,980	\$ 49,937	30%
General government	119,718	137,744	-13%
Public safety	49,486	42,929	15%
Public works	61,661	149,298	-59%
Other	8,713	11,689	-25%
Total	\$ 304,558	\$ 391,597	-22%

TOWNSHIP OF WEST BRANCH
Management's Discussion & Analysis
For the Year Ended March 31, 2006

Expenditures are down \$87,039 or 22% from 2005 mainly do to the amount of work done in 2005 for repairs and maintenance and contracted road construction.

Water and Sewer System Funds -The Township's Proprietary funds (the Water and Sewer and Water 2 Enterprise Funds) reported net assets of \$2,242,000, which is an increase of \$108,945 over last year's net assets of \$2,061,055. The increase was due to the fact that the bonds have been paid off and the special assessment continues.

General Fund Budgetary Highlights

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

- Actual revenues for the year were \$55,886 greater than anticipated. This was mostly a result of charges for services due to the increase in wages for the assessor, supervisor, clerk and treasurer and the increase in interest income due to the additional amount of funds deposited to earn interest.
- Actual expenditures for the year were \$12,258 less than anticipated, which was due to public works not using as much funding for repairs and maintenance and construction as originally budgeted.

TOWNSHIP OF WEST BRANCH
Management's Discussion & Analysis
For the Year Ended March 31, 2006

Capital Assets

At March 31, 2006, the Township had \$2.8 million invested in a broad range of capital assets, including land, buildings, equipment and water and sewer systems.

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2006	2005	2006	2005	2006	2005
Land	\$ 36,436	\$ 36,436	\$ 26,700	\$ 26,700	\$ 63,136	\$ 63,136
Land improvements	2,350	2,350	0	0	2,350	2,350
Buildings and improvements	21,860	21,860	0	0	21,860	21,860
Equipment	17,110	17,110	0	0	17,110	17,110
Water and Sanitary	0	0	1,699,713	1,680,130	1,699,713	1,680,130
Water 2 System	0	0	2,065,375	2,065,375	2,065,375	2,065,375
Total capital assets	77,756	77,756	3,791,788	3,772,205	3,869,544	3,849,961
Less accumulated depreciation	24,098	21,809	1,006,093	923,975	1,030,191	945,784
Net capital assets	\$ 53,658	\$ 55,947	\$ 2,785,695	\$ 2,848,230	\$ 2,839,353	\$ 2,904,177

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

Capital additions to our business-type activities for next year have not been determined.

TOWNSHIP OF WEST BRANCH
Management's Discussion & Analysis
For the Year Ended March 31, 2006

Debt

At the end of this year, the Township had \$1,270,000 in long-term debt outstanding versus \$1,425,000 in the previous year. The Township's debt is related to water and sewer system improvements reported in the proprietary funds. This debt is summarized as follows:

	<u>2006</u>	<u>2005</u>
Bonds payable	\$ 710,000	\$ 795,000
Lease payable	<u>560,000</u>	<u>630,000</u>
	<u>\$ 1,270,000</u>	<u>\$ 1,425,000</u>

Factors Expected to Have an Effect on Future Operations

There are many roads in the Township that require improvements causing an increase in the budget, as well as increased costs to provide public safety services.

West Branch Township, in conjunction with the City of West Branch and Ogemaw Township, has contracted with Capital Consultants to do a sewer and water study on the sewer lines to determine the current condition and what will need to be done to update the lines. The municipalities' have received a grant of approximately \$276,330 for the study to be finished in the 2006-2007 fiscal year. The three municipalities will also contribute approximately \$9,000 toward the matching amount.

Contacting The Township's Management

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

TOWNSHIP OF WEST BRANCH
Statement of Net Assets
March 31, 2006

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<u>Assets</u>				
Cash and investments	\$ 512,360	\$ 666,799	\$ 1,179,159	\$ 152,353
Receivables:				
Accounts receivable	0	68,047	68,047	0
Assessment receivable	2,206	39,941	42,147	0
Accrued interest receivable	0	4,983	4,983	0
Taxes receivable	7,246	0	7,246	0
Due from other governmental units	2,175	0	2,175	106,132
Internal balances	22,128	(22,128)	0	0
Bond discount	0	7,522	7,522	0
Capital assets less accumulated depreciation	53,658	2,785,695	2,839,353	0
Total assets	599,773	3,550,859	4,150,632	258,485
<u>Current Liabilities</u>				
Accounts payable	8,811	22,897	31,708	0
Accrued interest payable	0	15,962	15,962	0
Accrued liabilities	1,755	0	1,755	0
Due to other governmental units	0	0	0	33,044
Bonds payable	0	90,000	90,000	0
Capital lease	0	70,000	70,000	0
Total current liabilities	10,566	198,859	209,425	33,044
<u>Long-term Liabilities</u>				
Bonds payable	0	620,000	620,000	0
Capital lease	0	490,000	490,000	0
Total long-term liabilities	0	1,110,000	1,110,000	0
Total liabilities	10,566	1,308,859	1,319,425	33,044
<u>Net Assets</u>				
Investment in capital assets - net of related debt	53,658	1,499,733	1,553,391	0
Unrestricted	535,549	742,267	1,277,816	225,441
Total net assets	\$ 589,207	\$ 2,242,000	\$ 2,831,207	\$ 225,441

See accompanying notes to financial statements.

TOWNSHIP OF WEST BRANCH
Statement of Activities
For the Year Ended March 31, 2006

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Change in Net Assets			
	Expenses	Charges for Services	Capital Grants/Contributions	Governmental Activities	Business-type Activities	Total	Component Units
Primary government							
Governmental activities:							
Legislative	\$ 64,980	\$ 0	\$ 0	\$ (64,980)	\$ 0	\$ (64,980)	\$ 0
General government	122,008	15,344	0	(106,664)	0	(106,664)	0
Public safety	49,486	9,172	0	(40,314)	0	(40,314)	0
Public works	61,661	8,556	0	(53,105)	0	(53,105)	0
Other	13,401	0	0	(13,401)	0	(13,401)	0
Total governmental activities	311,536	33,072	0	(278,464)	0	(278,464)	0
Business-type activities:							
Water and sanitary sewer	146,242	171,120	59,656	0	84,534	84,534	0
Water #2	177,800	77,124	167,915	0	67,239	67,239	0
Total business-type activities	324,042	248,244	227,571	0	151,773	151,773	0
Total primary government	\$ 635,578	\$ 281,316	\$ 227,571	(278,464)	151,773	(126,691)	0
Component Units:							
Downtown Development Authority	\$ 243,940	\$ 0	\$ 0	0	0	0	(243,940)
Total component units	\$ 243,940	\$ 0	\$ 0	0	0	0	(243,940)
General Revenues:							
Taxes				124,336	0	124,336	297,848
State shared revenue				186,029		186,029	0
Interest income				12,963	20,443	33,406	1,871
Other				18,575	8,728	27,303	0
Total general revenues				341,903	29,171	371,074	299,719
Change in net assets				63,439	180,944	244,383	55,779
Net assets - beginning of year				489,332	2,061,056	2,550,388	206,098
Prior period adjustment				36,436	0	36,436	(36,436)
Net assets - beginning of year - restated				525,768	2,061,056	2,586,824	169,662
Net assets - end of year				\$ 589,207	\$ 2,242,000	\$ 2,831,207	\$ 225,441

See accompanying notes to financial statements.

TOWNSHIP OF WEST BRANCH
Governmental Funds
Balance Sheet
March 31, 2006

	General	Gypsy Moth	Total
<u>ASSETS</u>			
Cash and investments	\$ 442,602	\$ 69,758	\$ 512,360
Receivables:			
Taxes receivable	7,246	0	7,246
Assessment receivable	2,206	0	2,206
Due from other governmental units	2,175	0	2,175
Due from other funds	22,128	0	22,128
Total assets	\$ 476,357	\$ 69,758	\$ 546,115
<u>LIABILITIES AND FUND BALANCE</u>			
<u>Liabilities</u>			
Accounts payable	\$ 8,811	\$ 0	\$ 8,811
Accrued liabilities	1,755	0	1,755
Total liabilities	10,566	0	10,566
<u>Fund Balance</u>			
Unreserved:			
Undesignated	465,791	69,758	535,549
Total liabilities and fund balance	\$ 476,357	\$ 69,758	\$ 546,115

See accompanying notes to financial statements.

TOWNSHIP OF WEST BRANCH
 Reconciliation of Balance Sheet of Governmental Funds
 to the Statement of Net Assets
March 31, 2006

Total fund balance - governmental funds		\$ 535,549
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
Cost of the capital assets	\$ 77,756	
Accumulated depreciation	<u>(24,098)</u>	<u>53,658</u>
Total net assets - governmental activities		<u><u>\$ 589,207</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF WEST BRANCH
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended March 31, 2006

	General	Gypsy Moth	Total
<u>Revenues</u>			
Taxes	\$ 74,643	\$ 0	\$ 74,643
Collection fees	30,360	0	30,360
State shared revenue	186,029	0	186,029
Special assessments levied	19,333	0	19,333
Charges for services	33,072	0	33,072
Interest	10,852	2,111	12,963
Licenses and permits	593	0	593
Other	17,980	0	17,980
Total revenues	<u>372,862</u>	<u>2,111</u>	<u>374,973</u>
<u>Expenditures</u>			
Legislative	64,980	0	64,980
General government	119,718	0	119,718
Public safety	49,486	0	49,486
Public works	61,661	0	61,661
Other	8,713	4,688	13,401
Total expenditures	<u>304,558</u>	<u>4,688</u>	<u>309,246</u>
Net change in fund balance	68,304	(2,577)	65,727
Fund balance - beginning of year	<u>397,487</u>	<u>72,335</u>	<u>469,822</u>
Fund balance - end of year	<u>\$ 465,791</u>	<u>\$ 69,758</u>	<u>\$ 535,549</u>

See accompanying notes to financial statements.

TOWNSHIP OF WEST BRANCH
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2006

Net change in fund balance - total governmental funds	\$ 65,727
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	<u>(2,288)</u>
Change in net assets of governmental activities	<u>\$ 63,439</u>

See accompanying notes to financial statements.

TOWNSHIP OF WEST BRANCH
Proprietary Funds
Statement of Net Assets
March 31, 2006

	Business-Type Activities		
	Enterprise Funds		
	Water and Sanitary Sewer	Water 2	Totals
<u>Assets</u>			
Current Assets:			
Cash and investments	\$ 415,355	\$ 251,444	\$ 666,799
Accounts receivable - net	55,282	12,765	68,047
Interest receivable	4,983	0	4,983
Due from other funds	66,629	0	66,629
Total current assets	<u>542,249</u>	<u>264,209</u>	<u>806,458</u>
Restricted Assets:			
Deferred special assessments	39,941	0	39,941
Capital assets - at cost	1,699,713	2,092,075	3,791,788
Less allowance for depreciation	(495,085)	(511,008)	(1,006,093)
Net capital assets	<u>1,204,628</u>	<u>1,581,067</u>	<u>2,785,695</u>
Other Assets:			
Bond discount	2,910	4,612	7,522
Total Assets	<u>1,789,728</u>	<u>1,849,888</u>	<u>3,639,616</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	21,580	1,317	22,897
Accrued interest payable	1,613	14,349	15,962
Due to other funds	0	88,757	88,757
Bonds payable	40,000	50,000	90,000
Capital lease	0	70,000	70,000
Total current liabilities	<u>63,193</u>	<u>224,423</u>	<u>287,616</u>
Long-term Liabilities:			
Bonds payable	290,000	330,000	620,000
Capital lease	0	490,000	490,000
Total long-term liabilities	<u>290,000</u>	<u>820,000</u>	<u>1,110,000</u>
Total Liabilities	<u>353,193</u>	<u>1,044,423</u>	<u>1,397,616</u>
<u>Net Assets</u>			
Invested in capital assets - net of related debt	873,015	626,718	1,499,733
Unrestricted	<u>563,520</u>	<u>178,747</u>	<u>742,267</u>
Total Net Assets	<u>\$ 1,436,535</u>	<u>\$ 805,465</u>	<u>\$2,242,000</u>

See accompanying notes to financial statements

TOWNSHIP OF WEST BRANCH
Proprietary Funds
Statement of Revenues, Expenses, and Change in Net Assets
For the Year Ended March 31, 2006

	Business-Type Activities		
	Enterprise Funds		
	Water and Sanitary Sewer	Water 2	Totals
Gross service charges	\$ 171,120	\$ 65,674	\$ 236,794
Water costs	67,317	39,982	107,299
Gross profit	103,803	25,692	129,495
Operating revenues:			
Service connections	0	11,450	11,450
Charges, fees, etc.	668	8,060	8,728
Total operating revenues	668	19,510	20,178
Operating expenses:			
Utilities	4,821	5,191	10,012
Operation and maintenance	15,688	20,285	35,973
Administration	5,272	11,390	16,662
Fiscal and other charges	870	1,459	2,329
Depreciation	33,068	49,050	82,118
Total operating expenses	59,719	87,375	147,094
Operating income (loss)	44,752	(42,173)	2,579
Nonoperating revenues (expenses):			
Interest income	14,345	6,098	20,443
Interest expense	(19,205)	(50,443)	(69,648)
Payment from DDA	59,656	167,915	227,571
Total nonoperating revenues	54,796	123,570	178,366
Change in net assets	99,548	81,397	180,945
Net assets - beginning of year	1,336,987	724,068	2,061,055
Net assets - end of year	<u>\$ 1,436,535</u>	<u>\$ 805,465</u>	<u>\$ 2,242,000</u>

See accompanying notes to financial statements

TOWNSHIP OF WEST BRANCH
Proprietary Funds
Statement of Cash Flows
For the Year Ended March 31, 2006

	Water and Sanitary Sewer	Water 2	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 183,931	\$ 80,578	\$ 264,509
Cash payments to suppliers for goods and services	(97,891)	(66,535)	(164,426)
Cash payments to employees for services	(3,090)	(11,390)	(14,480)
Other operating income	667	8,060	8,727
Net cash provided by operating activities	<u>83,617</u>	<u>10,713</u>	<u>94,330</u>
Cash flows from capital and related financing activities:			
Collection of customer assessments	6,126	0	6,126
Principal paid on long-term debt	(40,000)	(115,000)	(155,000)
Interest paid on long-term debt	(19,356)	(52,115)	(71,471)
Payments from local units	21,383	203,488	224,871
Net cash provided (used) by capital and related financing activities	<u>(31,847)</u>	<u>36,373</u>	<u>4,526</u>
Cash flows from investing activities:			
Decrease in restricted assets	3,912	0	3,912
Investment in assets	(19,583)	0	(19,583)
Interest and investment earnings	11,244	6,098	17,342
Net cash provided (used) by investing activities	<u>(4,427)</u>	<u>6,098</u>	<u>1,671</u>
Net increase in cash and investments	47,343	53,184	100,527
Cash and investments, beginning of year	<u>368,012</u>	<u>198,260</u>	<u>566,272</u>
Cash and investments, end of year	<u>\$ 415,355</u>	<u>\$ 251,444</u>	<u>\$ 666,799</u>

See accompanying notes to financial statements

TOWNSHIP OF WEST BRANCH
Statement of Fiduciary Net Assets
March 31, 2006

	<u>Tax Collection Fund</u>
	<u>ASSETS</u>
Cash and investments	<u>\$ 0</u>
	<u>LIABILITIES</u>
Due to governmental funds	<u>\$ 0</u>

See accompanying notes to financial statements.

TOWNSHIP OF WEST BRANCH
Component Unit
Statement of Net Assets
March 31, 2006

	<u>Downtown Development Authority</u>
<u>Assets</u>	
Cash and investments	\$ 152,353
Due from other governmental units	<u>106,132</u>
Total assets	258,485
<u>Liabilities</u>	
Due from other governmental units	<u>33,044</u>
<u>Net Assets</u>	
Unrestricted	<u><u>\$ 225,441</u></u>

See accompanying notes to financial statements

TOWNSHIP OF WEST BRANCH
Component Unit
Statement of Activities
For the Year Ended March 31, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Downtown Development Authority			
General government	<u>\$ 243,940</u>	<u>\$ 0</u>	<u>\$ (243,940)</u>
	General Revenues:		
			297,848
		Taxes	
		Interest and investment earnings	<u>1,871</u>
		Total general revenues	<u>299,719</u>
		Change in net assets	<u>55,779</u>
		Net assets - beginning of year	206,098
		Prior period adjustment	<u>(36,436)</u>
		Net assets - beginning of year - restated	<u>169,662</u>
		Net assets - end of year	<u>\$ 225,441</u>

See accompanying notes to financial statements

TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Discretely Presented Component Units – The component unit column in the combined financial statements, which represents the financial data of the Township of West Branch Downtown Development Authority (Authority) is reported in a separate column to emphasize that it is legally separate from the Township. The Authority operates under the directorship of a board appointed by the Township of West Branch Board. The annual budget of the Authority is approved by the Township Board. The Authority cannot levy taxes or issue debt without the approval of the Township Board. The Authority was created to halt property value deterioration and the causes thereof, to increase property tax valuation, and to promote economic growth within the development district. The financial statements of the Authority can be obtained at 1705 S. Fairview Road, West Branch, MI 48661.

These statements also include the water and sewer systems managed by the Ogemaw County Department of Water and Sewer on behalf of the Township. Generally accepted accounting principles now requires this activity to be reported in the Township's annual financial statements. The Township has sole authority to set rates and is financially responsible for the integrity of the system. The financial statements reflect the financial position and results of operations for the systems for the fiscal year ending March 31, 2006.

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

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

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

TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

The Township reports the following major funds:

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

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

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

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

Assets, Liabilities, and Net Assets or Equity

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

TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Capital Assets – Capital assets, which include land, buildings, and equipment are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add value or materially extend asset lives are not capitalized.

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

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

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

TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2006

NOTE 2 – BUDGETS

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

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

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

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

Excess of Expenditures Over Appropriations in Budgeted Funds – During the year, the Township of West Branch incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Total Appropriation</u>	<u>Amount of Expenditure</u>	<u>Budget Variance</u>
<u>Primary Government</u>			
Gypsy Moth:	\$250	\$2,577	\$2,827

TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2006

NOTE 3 – DEPOSITS AND INVESTMENTS

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

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>	<u>Component Units</u>
Cash and investments	\$ 512,360	\$ 666,799	\$ 0	\$1,179,159	\$ 152,353
Total	<u>\$ 512,360</u>	<u>\$ 666,799</u>	<u>\$ 0</u>	<u>\$1,179,159</u>	<u>\$ 152,353</u>

The breakdown between deposits and investments is as follows:

Deposits (checking and savings accounts, certificates of deposit)	\$ 959,075
Investments in interlocal agreement investment pools (i.e. Class) with a weighted average maturity not to exceed 60 days	371,679
Petty cash and cash on hand	<u>758</u>
Total	<u>\$ 1,331,512</u>

Custodial credit risk-Deposits

In the case of deposits, this is the risk in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2006, \$221,183 of the Township's bank balance of \$368,458, was exposed to custodial credit risk because it was uninsured and collateralized. As of March 31, 2006, \$52,353 of the component units' bank balance of \$152,353 was exposed to custodial credit risk because it was uninsured and collateralized.

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

TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2006

NOTE 4 - CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals and Adjustments	Ending Balance
<u>Governmental activities:</u>				
Capital assets not being depreciated				
Land	\$ 36,436	\$ 0	\$ 0	\$ 36,436
Capital assets being depreciated:				
Buildings and improvements	21,860	0	0	21,860
Land improvements	2,350	0	0	2,350
Equipment	17,110	0	0	17,110
Subtotal	<u>41,320</u>	<u>0</u>	<u>0</u>	<u>41,320</u>
Less accumulated depreciation for:				
Buildings and improvements	10,749	304		11,053
Land improvements	118	223		341
Equipment	10,942	1,762		12,704
Subtotal	<u>21,809</u>	<u>2,289</u>	<u>0</u>	<u>24,098</u>
Governmental activities, total capital assets - net of depreciation	<u>\$ 55,947</u>	<u>\$ (2,289)</u>	<u>\$ 0</u>	<u>\$ 53,658</u>
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	\$ 26,700	\$ 0	\$ 0	\$ 26,700
Capital assets being depreciated:				
Water and Sanitary Sewer	1,680,130	19,583	0	1,699,713
Water 2	2,065,375	0	0	2,065,375
Subtotal	<u>3,745,505</u>	<u>19,583</u>	<u>0</u>	<u>3,765,088</u>
Less accumulated depreciation for:				
Water and Sanitary Sewer	462,018	33,067	0	495,085
Water 2	461,957	49,051	0	511,008
Subtotal	<u>923,975</u>	<u>82,118</u>	<u>0</u>	<u>1,006,093</u>
Business-type activities, total capital assets, net of depreciation	<u>\$ 2,848,230</u>	<u>\$ (62,535)</u>	<u>\$ 0</u>	<u>\$ 2,785,695</u>

TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2006

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	<u>\$ 2,289</u>
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Business-type activities:

Water and Sanitary Sewer	\$ 33,067
Water 2	<u>49,051</u>

Total business-type activities depreciation expense	<u>\$ 82,118</u>
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TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2006

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A summary of inter-fund receivable and payable balances at March 31, 2006 and transfers made during the year ended March 31, 2006 is as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 22,128	\$ 0	\$ 0	\$ 0
Water and Sanitary Sewer	66,629	0	0	0
Water 2	<u>0</u>	<u>88,757</u>	<u>0</u>	<u>0</u>
	<u>\$ 88,757</u>	<u>\$ 88,757</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2006

NOTE 6 - LONG-TERM DEBT

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

	<u>Beginning Balance</u>	<u>Increase (Decrease)</u>	<u>Ending Balance</u>
<u>Primary Government</u>			
Limited tax bonds 1998, dated November 1, 1998, due in annual installments through 2013, bearing interest rates of 4.00% to 4.85%.	\$ 425,000	\$ (45,000)	\$ 380,000
Limited tax bonds 2000, dated August 1, 2000, due in annual installments through 2013 bearing interest rates of 5.10% to 5.40%.	370,000	(40,000)	330,000
Obligation under capital lease (Note 7)	<u>630,000</u>	<u>(70,000)</u>	<u>560,000</u>
Totals	<u>\$ 1,425,000</u>	<u>\$ (155,000)</u>	<u>\$ 1,270,000</u>

TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2006

NOTE 6 – LONG-TERM DEBT (CONTINUED)

Long-term obligation activity can be summarized as follows:

	Balance April 1, 2005	Additions	Retirements and Payments	Balance March 31, 2006	Amount Due Within One Year
Bonds	\$ 795,000	\$ 0	\$ (85,000)	\$ 710,000	\$ 90,000
Capital lease	630,000	0	(70,000)	560,000	70,000
	<u>\$1,425,000</u>	<u>\$ 0</u>	<u>\$ (155,000)</u>	<u>\$1,270,000</u>	<u>\$ 160,000</u>

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

Year End March 31	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 160,000	\$ 63,917
2008	160,000	55,982
2009	165,000	47,928
2010	165,000	39,452
2011	175,000	30,870
2012-2014	<u>445,000</u>	<u>35,678</u>
Total	<u>\$1,270,000</u>	<u>\$ 273,827</u>

NOTE 7 – CAPITAL LEASE OBLIGATION

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

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

TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2006

NOTE 7 – CAPITAL LEASE OBLIGATION (CONTINUED)

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

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

Year Ended March 31,	Lease Payments
2007	\$ 99,085
2008	95,340
2009	91,525
2010	87,640
2011	83,720
Thereafter	227,640
Total future minimum lease payments	684,950
Less amount representing interest	124,950
Present value of future minimum lease payments	\$ 560,000

NOTE 8 – PENSION PLAN

The Township contributes to a defined contribution pension plan covering all employees and elected officials, but excluding election workers. Contributions to each individual's simplified employee pension account are 15% of each employee's salary or wages. Contributions for the year ending March 31, 2006 were \$13,329.

TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2006

NOTE 9 – RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	Water and Sanitary Sewer	Water 2	Total
Operating income (loss)	\$ 44,752	\$ (42,173)	\$ 2,579
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	33,068	49,050	82,118
Amortization	415	659	1,074
Changes in operating assets and liabilities:			
Accounts receivable	12,809	3,455	16,264
Accounts payable	(7,427)	(278)	(7,705)
Net cash provided by operating activities	\$ 83,617	\$ 10,713	\$ 94,330

TOWNSHIP OF WEST BRANCH
Notes to Financial Statements
For the Year Ended March 31, 2006

NOTE 10 - PROPERTY TAXES

Property taxes are assessed on December 31, levied on the following December 1 and are payable through February 14. The Township bills and collects its own taxes and also taxes for the State of Michigan, County of Ogemaw, West Branch-Rose City Public Schools, Kirtland Community College, C.O.O.R. Intermediate School District, and West Branch District Library. The collection of these taxes and remittance to the proper authority are accounted for in the Current Tax Collections Fund. Township property tax revenues levied December 1, 2005 are recognized as revenue for the year ended March 31, 2006.

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

NOTE 11 - RISK FINANCING AND RELATED INSURANCE ISSUES

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

NOTE 12 - SUBSEQUENT EVENT

The Township participated in the issuance of Sanitary Sewage Bonds with the City of West Branch in the Township of Ogemaw. The bonds were retired in 2004 and as such, sewage system assets were subsequently transferred to the Township after March 31, 2006 in the amount of \$225,654.

NOTE 13 - PRIOR PERIOD ADJUSTMENT

A correction of the beginning net assets for the governmental activities was required to reflect the transfer of land value of \$36,436 which was previously recorded in the Downtown Development Authority.

TOWNSHIP OF WEST BRANCH
 Required Supplemental Information
 Budgetary Comparison Schedule - General Fund
For the Year Ended March 31, 2006

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Taxes	\$ 68,950	\$ 68,950	\$ 74,643	\$ 5,693
Collection fees	23,000	23,000	30,360	7,360
State shared revenue	185,540	185,540	186,029	489
Special assessments levied	13,000	13,000	19,333	6,333
Charges for services	10,900	10,900	33,072	22,172
Interest	2,000	2,000	10,852	8,852
Licenses and permits	650	650	593	(57)
Other	12,936	12,936	17,980	5,044
Total revenues	316,976	316,976	372,862	55,886
<u>Expenditures</u>				
Legislative	52,005	52,005	64,980	(12,975)
General government	123,391	123,391	119,718	3,673
Public safety	41,100	41,100	49,486	(8,386)
Public works	82,270	82,270	61,661	20,609
Other	18,050	18,050	8,713	9,337
Total expenditures	316,816	316,816	304,558	12,258
Net change in fund balance	160	160	68,304	68,144
Fund balance - beginning of year	397,487	397,487	397,487	0
Fund balance - end of year	\$ 397,647	\$ 397,647	\$ 465,791	\$ 68,144

TOWNSHIP OF WEST BRANCH
 Required Supplemental Information
 Budgetary Comparison Schedule - Gypsy Moth Fund
For the Year Ended March 31, 2006

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Interest	\$ 300	\$ 300	\$ 2,111	\$ 1,811
<u>Expenditures</u>				
Other	50	50	4,688	(4,638)
Net change in fund balance	250	250	(2,577)	(2,827)
Fund balance - beginning of year	72,335	72,335	72,335	0
Fund balance - end of year	<u>\$ 72,585</u>	<u>\$ 72,585</u>	<u>\$ 69,758</u>	<u>\$ (2,827)</u>



WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS
May 25, 2006

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

Township Board
Township of West Branch
Ogemaw County, Michigan

We have audited the basic financial statements of the Township of West Branch, Ogemaw County, Michigan as of and for the year ended March 31, 2006, and have issued our report thereon dated May 25, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of West Branch's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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GLADWIN AND WEST BRANCH

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WEINLANDER FITZHUGH

Township Board
Township of West Branch
May 25, 2006

Compliance and Other Matters

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

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

Weinlander Fitzhugh