TOWNSHIP OF WELLS

AUDITED FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTAL INFORMATION AND SUPPLEMENTAL REPORT

YEAR ENDED JUNE 30, 2008

Michigan Dept. of Treasury, Local Audit & Finance Division
496 (3-98), Formerly L-3147

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type	Local Government Name	County
☐ City ☒ Township ☐ Village ☐ Other	WELLS TOWNSHIP	DELTA

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
JUNE 30, 2008	AUGUST 22, 2008	AUGUST 22, 2008

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.

2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.

☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).

☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).

☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.

☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).

☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.

☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).

☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name)			
RAY PAYMENT, CPA			
Street Address	City	State	ZIP
617 LUDINGTON STREET	ESCANABA	MI	49829
Accountant Signature			

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RAYMOND L. PAYMENT
CERTIFIED PUBLIC ACCOUNTANT

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August 22, 2008

INDEPENDENT AUDITOR'S REPORT

Supervisor and Members of the Board
Township of Wells
Delta County, Michigan

I have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Wells Township as of and for the year ended June 30, 2008, which collectively comprise the basic financial statements of Wells Township as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of Wells Township as of June 30, 2008, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 5 through 9 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures,

which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wells Township's basic financial statements. The accompanying Other Financial Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in my opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Ray L. Payment

Certified Public Accountant

Management's Discussion and Analysis

This section of the Wells Township annual financial report presents our discussion and analysis of the Township's performance during the year ended June 30, 2008. It is to be read in conjunction with the Township's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) Basic Financial Statements - and Managements Discussion and Analysis - for State and Local Governments, as amended and interpreted, and is intended to provide the financial results for the fiscal year ending June 30, 2007. This is the first year of GASB 34 implementation. As a result the financial report is presented differently than previous years. Because this is the first year of implementation of GASB Statement No. 34, prior-year data is not available but will be provided in subsequent years for comparative purposes.

Government-wide Financial Statements

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the Township as a whole. The statements are prepared using the accrual method of accounting which is the accounting used by most private sector businesses. The statement of net assets includes all of the Township's assets and liabilities except the fiduciary funds. All current year revenues and expenses are reported in the statement of activities. The two statements report the governmental activities of the Township that include all services performed by the Township. These activities are funded primarily by property taxes and by and state grants.

The statement of net assets reports the Township's assets and liabilities. The corresponding balance between the assets and liabilities equals the net assets of the Township. This statement measures the financial strength of the Township; the greater the net asset figure, the healthier the financial position of the Township generally is. It helps management determine if the Township will be able to fund current obligations and whether they have resources available for future use.

The statement of activities shows the current year change in net assets on a revenue less expense basis. It shows the operating results for a given year of the Township. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the Township.

Fund Financial Statements

The Township's fund financial statements show a detail of funds that are determined to be significant, called major funds. The funds that are separately stated as the major fund are the General Fund and Special Revenue Fund.

Governmental funds are accounted for by the modified accrual method of accounting (flow of current financial resources measurement focus). This method records revenues when all applicable eligibility requirements are met and resources are available to finance expenditures of the fiscal period. Expenditures are recorded when the related liability is incurred. The governmental fund financial statements show the detail of operations for a given year according to this method of accounting. This is similar to how the Township reported their finances in the past. The individual fund statements help management determine what financial resources are available on a short-term basis to fund operations.

Although the government-wide financial statements and the fund financial statements use different methods of accounting to report the Township's financial condition, there are no current year differences between the two types of statements except depreciation expense and fixed assets.

Fiduciary funds, such as the Tax Collection Funds, are reported in the fiduciary fund financial statement, but are excluded from the government-wide reporting. The fiduciary fund financial statement reports resources that are not available to fund Township programs. The fiduciary fund financial statement reports similarly to governmental funds.

Government-wide Financial Statements - Condensed Financial Information

Statement of Net Assets

The following is a June 30, 2008 condensed statement of net assets with a detailed analysis of the statement below.

	Governmental Activities
ASSETS	
Current Assets:	
Cash and CD's	$ 1,145,614
Prepaid expenses	34
Total Current Assets	$ 1,145,648
Noncurrent Assets -	
Capital assets, net of accumulated depreciation	699,165
Total Assets	$ 1,844,813
LIABILITIES	
Deferred Revenue - Hannahville Grant	$ 1,056
NET ASSETS	$ 1,843,757
Invested in capital assets, net of related debt	$ 699,165
Unrestricted	1,144,592
Total Net Assets	$ 1,843,757

The Township's total net assets are $1,843,757 at June 30, 2008. Capital assets are $699,165. This figure is derived by taking the original cost of the Township's assets and subtracting accumulated depreciation to date.

Government-wide Financial Statements - Condensed Financial Information

Statement of Net Assets (Continued)

The total unrestricted net assets are $1,144,592 as of June 30, 2008. This is the net accumulated result of the current and past years' operations. The balance in the unrestricted net assets shows that the Township has an ample amount of assets to fund liabilities at June 30, 2008.

Statement of Activities

The results of operations for the Township as a whole are reported in the statement of activities. This statement reports the changes in net assets for the fiscal year ended June 30, 2008. Since this is the first year the Township has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to the previous year are not made.

	Governmental Activities
Revenue:	
Program Revenues:	
Charges for services	$ 13,375
General Revenues:	
Tax Collection fees	90,434
State grants	344,885
Interest and rents	44,664
Other revenue	8,242
Total Revenue	$ 501,600
Program expenses - Governmental activities	527,875
Decrease in Net Assets	$ (26,275)

The Township had an overall decrease in net assets of $26,275 for the year ended June 30, 2008. The Township's revenues totaled $501,600.

Statement of Activities (Continued)

The Township's total cost to fund governmental activities was $527,875. A majority of these costs were funded by collection fees and state grants. This shows the Township has reliance on collection fees and grants to provide future funding for its programs and administrative costs.

Governmental Fund Budgetary Items

A schedule showing the Township's final budget and the actual results are included as required supplementary information in the financial section of the audit report.

Capital Assets

At June 30, 2008, the Township had $699,165 invested in capital assets net of accumulated depreciation. The changes in capital assets during the year ended June 30, 2008 were equipment purchases of $2,718.

Debt

The Township had no outstanding debt at June 30, 2008.
The deferred revenue consisted of unspent Hannahville grants to be spent on consulting services.

Future Considerations

The change in state aid payments along with State budget cuts will impact the financial condition of the Township. The Township has adopted a budget for the upcoming fiscal year that should not over expend it's funding and leave the Township with a positive Fund Balance.

Contacting the Township

If you have any questions about this report or need additional information, contact the Township offices.

BASIC

FINANCIAL

STATEMENTS

TOWNSHIP OF WELLS
STATEMENT OF NET ASSETS

June 30, 2008

ASSETS	
CURRENT ASSETS:	
Cash and CD's	$ 1 145 614
Prepaid expenses	34
TOTAL CURRENT ASSETS	$ 1 145 648
NONCURRENT ASSETS	
Capital assets	1 975 735
Less accumulated depreciation	(1 276 570)
TOTAL NONCURRENT ASSETS	699 165
TOTAL ASSETS	$ 1 844 813
LIABILITIES	
Deferred Revenue - Hannahville Grant	$ 1 056
NET ASSETS	$ 1 843 757
Invested in capital assets, net of related debt	$ 699 165
Unrestricted	1 144 592
TOTAL NET ASSETS	$ 1 843 757

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF WELLS
STATEMENT OF ACTIVITIES

June 30, 2008

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Governmental Activities: Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Legislative	$ 45 341	$ -	$ -	$ (45 341)
General Government	267 687	-	-	(267 687)
Public Safety	64 417	-	-	(64 417)
Public Works	98 003	13 375	-	(84 628)
Unallocated - Depreciation	52 427	-	-	(52 427)
Total Governmental Activities	$ 527 875	$ 13 375	$ -	$ (514 500)
General revenues:				
Tax collection fees				$ 90 434
State grants				344 885
Interest and rents				44 664
Other revenue				8 242
Total General Revenues				488 225
Changes in Net Assets				$ (26 275)
Net assets at July 1, 2007				1 870 032
Net assets at June 30, 2008				$ 1 843 757

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF WELLS
BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2008

ASSETS

	General Fund	Liquor Fund	Special Assessment Fund	Total
Cash and CD's	$1 134 773	$ -	$ 10 841	$1 145 614
Prepaid expenses	34	-	-	34
TOTAL ASSETS	$1 134 807	$ -	$ 10 841	$1 145 648

LIABILITIES AND FUND EQUITY

Liabilities - Deferred Revenue - Hannahville Grant	$ 1 056	$ -	$ -	$ 1 056
Fund Equity - unreserved fund balance	1 133 751	-	10 841	1 144 592
TOTAL LIABILITIES AND FUND BALANCE	$1 134 807	$ -	$ 10 841	$1 145 648

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF WELLS
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND
WITH THE STATEMENT OF NET ASSETS

June 30, 2008

Total fund equity of governmental activities		$1 144 592
Amounts reported for governmental activities in the statement of net assets are different because:		
Additions:		
Capital assets used in government activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets	$1 975 735	
Accumulated depreciation	(1 276 570)	699 165
Total net assets of governmental activities		$1 843 757

RECONCILIATION OF STATEMENTS OF REVENUES
AND EXPENDITURES OF THE GOVERNMENTAL
FUND WITH THE STATEMENT OF ACTIVITIES

June 30, 2008

Excess revenues over expenditures of governmental activities	$ 23 434
Additions:	
Cost of capital assets acquired this year	2 718
Subtractions:	
Depreciation expense	(52 427)
Changes in Net Assets	$ (26 275)

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF WELLS
COMBINED STATEMENT OF CASH RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES

Year Ended June 30, 2008

	Governmental Fund Types			
	General	Liqour	Special Assessment	Total
CASH RECEIPTS:				
State revenue sharing	$ 344 885	$ -	$ -	$ 344 885
Tax collection fees	90 434	$ -	$ -	90 434
Rents	770	-	-	770
Interest earend on deposits	43 894	-	-	43 894
Special assessments	-	-	13 375	13 375
Miscellaeous receipts and reimbursements	8 242	-	-	8 242
TOTAL CASH RECEIPTS	488 225	-	13 375	501 600
CASH DISBURSEMENTS:				
Legislative:				
Township Board	48 059	-	-	48 059
General Governments:				
Supervisor	32 310	-	-	32 310
Clerk	26 391	-	-	26 391
Treasurer	20 505	-	-	20 505
Summer tax collection	8 884	-	-	8 884
Assessor	88 685	-	-	88 685
Elections	1 974	-	-	1 974
Buildings and grounds	10 581	-	-	10 581
Parks	3 881	-	-	3 881
Board of Review	1 711	-	-	1 711
Attorney and legal	2 507	-	-	2 507
Personnel	70 258	-	-	70 258
Fire protection and hydrants	62 413	-	-	62 413
Highways, streets and street lights	88 983	-	9 020	98 003
Liquor inspection	-	2 004	-	2 004
TOTAL CASH DISBURSEMENTS	467 142	2 004	9 020	478 166
EXCESS OF CASH RECEIPTS (DISBURSEMENTS)	$ 21 083	$ (2 004)	$ 4 355	$ 23 434
FUND BALANCE, at beginning of period	1 112 668	2 004	6 486	1 121 158
FUND BALANCE, at end of period	$1 133 751	$ -	$ 10 841	$1 144 592

The accompanying notes are an integral part of the financial statements.

NOTES

TO

FINANCIAL

STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Wells Township operates under and elected Board of Trustees. The financial statements of the Township have been prepared in conformity with generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial-reporting principles. The more significant of the Township's accounting policies are described below.

Financial Reporting Entity

In conformity with generally accepted accounting principles, other autonomously operated governmental organizations are not considered to be part of the Township entity for financial-reporting purposes. The criteria established for determining the various governmental organizations to be included in the Township's financial statements include oversight responsibility, scope of public service and special financing relationships.

On this basis, the financial statements of the local school district are not included in the financial statements of the Township. Educational services are provided to citizens through the local school district, which is a separate governmental entity.

Basis of Presentation

Governmental-wide Financial Statements

The Township government-wide financial statements (Statement of Net Assets and Statement of Activities) report information on all of the activities of the Township except for the fiduciary activities. All of the Township activities are considered to be governmental activities. There was no interfund activity to be eliminated in the Governmental-wide financial statements.

Fund-based Financial Statements

Separate financial statements are provided on the basis of funds, each of which is considered a separate fiscal and accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Governmental and fiduciary funds are provided. The Township reports the General and Special Revenue Funds as the Major Fund.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund-based Financial Statements (Continued)

Governmental Fund Type

General Fund and Special Revenue Funds - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. The fund includes the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state and federal grants and various local sources. The Special Revenue Funds account for revenues and expenditures to be used as per legal or regulatory provisions.

Fiduciary Fund Type

The Tax and Trust and Agency funds are used to account for assets held by the Township in a trustee capacity. These funds ares custodial in nature and do not involve measurement of results of operations.

Basis of Accounting

Government-wide Financial Statements

The Governmental-wide financial statements report all financial and capital assets, short and long-term liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and the accrual basis of accounting. All revenue is recorded when earned and expenses are recorded when a liability is incurred.

The Statement of Activities reports net cost information based on the Township's functions. Direct expenses are listed by function with program revenues for each function offset against those expenses. Program revenues include charges for services that are fees and other charges to the users or recipients of the services the Township provides. Program revenues also include operating grants and contributions that are restricted for a particular purpose. Property taxes, nonrestricted state and federal aid and other revenues that are not program revenues are reported as general revenues.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Fund-based Financial Statements

Governmental fund types and Agency Funds use the modified accrual basis of accounting and the flow of expendable financial resources (measurement focus). Under the modified accrual basis of accounting, revenues are recorded when all applicable eligibility requirements are met and resources are available (often referred to as "susceptible to accrual"). Revenues are available when revenued are collectible during the period and the actual collection will occur either (a) during the current period or (b) after the end of the period but in time to pay fund liabilities. The Township considers revenues to be available if they are expected to be collected with 60 days of the end of the year, except that tax revenues, fees and nontax revenues are recognized when received. Grants, entitlements and shared revenues are recorded when they are susceptible to accrual. Expenditure-based grants are recorded as revenue when all applicable eligibility requirements of the grants are met and resources are available. Expenditures, if measurable, are recorded when they have used or are expected to use current expendable financial resources, except unmatured interest on general long-term debt is recorded when due. The Township has no long-term debt.

Budgets and the Budgetary Process

The Township Board adopts an annual operating budget, which can be amended by the Board throughout the year. Formal budgetary accounting is employed as a management control for the Township. For budgetary purposes, the same basis of accounting is used to reflect actual revenues and expenditures recognized on the basis of generally accepted accounting principles. For this reason, there is no common basis for preparing a reconciliation between budgeted and actual amounts. The budgeted financial statements presented in this report reflect the final budget authorization, including all amendments. Budgets are adopted on the functional level and lapse at the end of the year.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Tax Revenues

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 of the ensuing year with the final collection date of February 28 before they are added to the delinquent rolls. The Township records property taxes as a receivable and a revenue as collections are made, when monies are available for use to finance Township operations. Delinquent real property taxes of the Township and all other local units are purchased annually by the County. The Township bills and collects its own property taxes and also collects current rolls for the County, Intermediate School District and Local School District.

Capital Assets and Depreciation

Capital assets include land, buildings and improvements and equipment and are reported in the Government-wide financial statements. Capital assets are defined by the Township as assets with an acquisition cost of generally more than $100 or betterments totaling $1,000 with an estimated useful life in excess of five years. Assets meeting this criteria are recorded at historical cost or estimated historical costs if the amount is not known. Any donated capital assets are recorded at estimated fair market value at the date of donation. The costs of capital assets are charged to expense using an annual allocation of depreciation expense. Taking the depreciable cost of an asset and dividing that cost by its estimated useful life calculates the annual expense. The expense is recorded on the Government-wide Statement of Activities and included as a direct expense of an identifiable function if the assets sole purpose can be identified as being for that function. Depreciation expense (unallocated) is the amount of depreciation expense that cannot be charged to any particular function.

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

Land	Not depreciated
Buildings and improvements	25-50 years
Equipment	5-10 years

Investment in Capital Assets

This is a portion of net assets of the Township that consists of capital assets, net accumulated depreciation. The Township had net investment in capital assets at June 30, 2008 of $699,615.

Restricted Assets

Net assets are restricted when there are constraints placed on their use by external parties or by statute. The Township has no restricted assets at June 30, 2008.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unrestricted Net Assets

Net assets not meeting either criteria above are considered unrestricted.

Fund Equity

The unreserved fund equity for governmental funds represent the amount available for budgeting future operations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Accounting Change

Effective July 1, 2006, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (GASB No. 34). Significant changes to the Township's financial statements as a result of GASB No. 34 are as follows:

Management Discussion and Analysis - provides analysis of the Township's overall financial position and results of operations as reported by the Township's management.

Government-wide financial statements - Statement of Net Assets and Statement of Activities are prepared using the full accrual basis of accounting that includes all of the Township's activities.

Capital assets - recorded in the governmental activities statement of net assets at June 30, 2008 are $1,975,735 along with $1,276,570 of accumulated depreciation of those capital assets. The June 30, 2007 financial statements reported fixed assets in the General Fixed Assets Account Group (GFAAG) that has been eliminated for reporting purposes. No change was reported in the historical cost of the assets from the GFAAG to the current July 1, 2007 beginning capital assets balance.

Major funds - fund-based financial statements focus on major funds rather than fund-types. Major funds are determined based on the comparison of activity of individual governmental funds to total governmental fund activity.

NOTE B - CASH INFORMATION

All deposits were made either in banks insured by federal depository insurance or with an investment broker who purchased certificates of deposit insured by federal depository insurance. Deposits were made in accordance with State of Michigan statues and under authorization of the Township Board.

At June 30, 2008 total cash and certificates of deposit as reported by banks and investment broker amounted to $1,145,614, of which $401,824 was covered by depository insurance and $743,790 was not covered.

NOTE C - PROPERTY TAXES

A summary of the 2007 tax roll follows:

Taxing Unit	Mills	Spread	Delinquent	Collected
County and 911	6.9897	$1 733 689	$ 40 480	$ 1 693 209
State education tax	6.0000	1 459 180	27 173	1 432 007
Local school	20.8900	3 415 253	80 498	3 334 755
Intermediate school	2.3851	587 235	21 533	565 702
Bay de Noc College	3.5225	873 904	31 802	842 102
TOTALS	39.7873	$8 069 261	$ 201 486	$ 7 867 775
Taxable Valuation				$243 188 090

NOTE D - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Public Act 275 of 1980 Disclosure

The Township has no funds with a deficit as of June 30, 2008.

Public Act 621 of 1978 Disclosure

Public Act 621 of 1978, as amended, provides that a local unit of government shall not incur expenditures in excess of the amount appropriated. The Township was in substantial compliance with the Act.

NOTE E - CAPITAL ASSETS

Following is a summary of changes in capital assets during the year ended June 30, 2008:

	Balance at July 1, 2007	Additions	Disposals	Balance at June 30, 2008
Governmental Activities				
Assets:				
Building and improvements	$1 490 024	$ -	$ -	$ 1 490 024
Equipment	482 993	2 718	-	485 711
	1 973 017	2 718	-	$ 1 975 735
Less accumulated depreciation	(1 224 143)	(52 427)	-	(1 276 570)
Net Capital Assets	$ 748 874	$(49 709)	$ -	$ 699 165

NOTE F - RISK MANAGEMENT

The Township is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors or omissions; injuries to employees; and natural disasters. The Township has obtained coverage from commercial insurance companies.

All risk management activities are accounted for in the General Fund of the Township. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the Township as of June 30, 2008, will not materially affect the financial condition of the Township. Therefore, the financial statements contain no provisions for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 10 - PENSION PLAN

Wells Township maintains a defined contribution pension plan covering employees of the Township. Principle provisions of the plan require the Township and the employee to each contribute to the plan to provide for immediate 100% vesting with a normal retirement date at age 65. The total expense for the retirement plan for the year was $4,332.

REQUIRED

SUPPLEMENTAL

INFORMATION

TOWNSHIP OF WELLS
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - CASH BASIS
- BUDGET AND ACTUAL -
GENERAL AND SPECIAL REVENUE FUNDS

Year Ended June 30, 2008

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
State shared revenue	$ 318 000	$ 344 885	$ 26 885
Collection fees	83 000	90 434	7 434
Rents	500	770	270
Interest	43 000	43 894	894
Other revenues and assessments	75	8 242	8 167
Licenses fees - Liquor	-	-	-
Total revenues	444 575	488 225	43 650
EXPENDITURES:			
Legislative board expenses	64 200	48 059	16 141
Supervisor	32 500	32 310	190
Elections	6 800	1 974	4 826
Clerk and deputy clerk	26 600	26 391	209
Board of Review	3 000	1 711	1 289
Treasurer and deputy treasurer	21 100	20 505	595
Personnel	71 700	70 258	1 442
Buildings and grounds	22 800	10 581	12 219
Parks	9 300	3 881	5 419
Fire protection	64 300	62 413	1 887
Highways and bridges	56 000	53 403	2 597
Street lights	38 000	35 580	2 420
Assessor	89 500	88 685	815
Liquor inspection	-	-	-
Summer tax collection	9 200	8 884	316
Attorney and legal	3 000	2 507	493
Total expenditures	518 000	467 142	50 858
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(73 425)	21 083	94 508
FUND BALANCE, July 1, 2007	1 112 668	1 112 668	-
FUND BALANCE, June 30, 2008	$1 039 243	$1 133 751	$ 94 508

The accompanying notes are an integral part of the financial statements.

Special Revenue Fund		
Budget	Actual	Variance Favorable (Unfavorable)
$ -	$ -	$ -
-	-	-
-	-	-
-	-	-
16 000	13 375	(2 625)
1 900	-	(1 900)
17 900	13 375	(4 525)
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
16 000	9 020	6 980
-	-	-
1 900	2 004	(104)
-	-	-
-	-	-
17 900	11 024	6 876
-	2 351	2 351
8 490	8 490	-
$ 8 490	$ 10 841	$ 2 351

OTHER FINANCIAL INFORMATION

TOWNSHIP OF WELLS
STATEMENT OF CHANCES IN ASSETS AND LIABILITIES
ALL FIDUCIARY FUND TYPES

June 30, 2008

CURRENT TAX COLLECTION FUND	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
ASSETS				
Cash	$ -	$ 8 112 517	$ 8 112 517	$ -
TOTAL ASSETS	$ -	$ 8 112 517	$ 8 112 517	$ -
LIABILITIES				
Due to other taxing units:				
Bay de Noc College	$ -	$ 843 420	$ 843 420	$ -
Township of Wells	-	96 944	96 944	-
Delta County	-	1 697 667	1 697 667	-
Intermediate School District	-	566 677	566 677	-
Escanaba Area Schools	-	3 342 622	3 342 622	-
State of Michigan	-	1 565 187	1 565 187	-
TOTAL LIABILITIES	$ -	$ 8 112 517	$ 8 112 517	$ -

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

Members of the Board
Township of Wells
Delta County, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Township of Wells as of and for the year ended June 30, 2008, which collectively comprise the Township of Wells's basic financial statements and have issued my report thereon dated August 22, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America 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 my audit, I considered the Township of Wells's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose or expressing an opinion on the effectiveness of the Township of Wells's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Township of Wells's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township of Wells's ability to initiate,

authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Township of Wells's financial statements that is more than inconsequential will not be prevented or detected by the Township of Wells's internal control. I consider the deficiency described in the accompanying schedule of findings and questioned costs as items 07-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township of Wells's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described in the Schedule of Findings I consider item 07-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Wells's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Township of Wells's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit the Township of Wells's response and, accordingly, I express no opinion on it.

The report is intended solely for the information and use of the Township Board, management 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.

Ray L. Payment
Certified Public Accountant

SCHEDULE OF FINDINGS
TOWNSHIP OF WELLS

Year Ended June 30, 2008

SIGNIFICANT DEFICIENCIES

(07-1) Ability to Prepare Financial Statements and Related Note Disclosures

Like entities of similar size, the Township uses the assistance of the auditor to draft the financial statements and related note disclosures.

The Township will continue to focus its efforts on continuing education for the Supervisor, Treasurer and Clerk. We will keep the funding level for education and training the same, but focus more in the financial preparation area than in the past. Trustees will seek out training to better understand the financial statements and the training funds will be at levels similar to the past. In addition, the Township will continue to seek the auditor's assistance when necessary on procedural questions and drafting of financial statements and disclosures.

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August 22, 2008

Members of the Board
Township of Wells
Delta County, Michigan

I have audited the financial statements of Wells Township, Delta County, Michigan, for the year ended June 30, 2008, and have issued my report dated August 22, 2008. Professional standards require that I provide you with the following information related to my audit.

My Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in my engagement letter dated August 22, 2008, my responsibility, as described by professional standards, is to plan and perform my audit to obtain reasonable, but no absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute assurance and because I did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by me.

As part of my audit, I considered the integral control of Wells Township, Delta County, Michigan. Such considerations were solely for the purpose of determining my audit procedures and to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of the Wells Township, Delta County, Michigan's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of my tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter. I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Wells Township, Delta County, Michigan, are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared my 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 the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were recording cost values of fixed assets and accumulated depreciation of fixed assets.

Management's estimates of the cost values and related depreciation is based on estimated costs assets and State of Michigan guidelines, respectively. I evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Wells Township, Delta County, Michigan's financial reporting process (that is, cause, future financial statements to be materially misstated). In my judgment, none of the adjustments I proposed either individually or in the aggregate, indicate matters that could have a significant effect on the Wells Township, Delta County, Michigan's financial reporting process.

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 government unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all relevant facts. To my knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Wells Township, Delta County, Michigan's auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing my audit.

This information is intended solely for the use of the Wells Township Board and management of Wells Township, Delta County, Michigan, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Ray L. Payment
Certified Public Accountant