

TOWNSHIP OF WOODBRIDGE
HILLSDALE COUNTY, MICHIGAN

AUDIT REPORT

MARCH 31, 2007

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 TOWNSHIP OF WOODBRIDGE | County HILLSDALE |
| Fiscal Year End 3-31-2007 | Opinion Date 9-6-2007 | Date Audit Report Submitted to State 9-7-2007 | |

We affirm that:

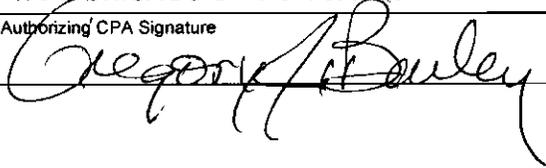
We are certified public accountants licensed to practice in Michigan.

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 checked="" type="checkbox"/> | | |
| Other (Describe) | <input type="checkbox"/> | | |
| Certified Public Accountant (Firm Name) BAILEY, HODSHIRE & COMPANY, PC | | Telephone Number (517) 849-2410 | |
| Street Address 479 E CHICAGO ST PO BOX 215 | | City JONESVILLE | State Zip MI 49250 |
| Authorizing CPA Signature  | | Printed Name GREGORY J BAILEY | License Number 1101022915 |

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Bailey, Hodshire
& Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Supervisor and
Members of the Township Board
Township of Woodbridge
Hillsdale County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Woodbridge as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Woodbridge, as of March 31, 2007, 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 3 through 7 and pages 19 through 20, 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. 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.

Township of Woodbridge

Page 2

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Township of Woodbridge's basic financial statements. The individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Bailey, Hodskire + Company, P.C.

September 6, 2007

Jonesville, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

WOODBRIIDGE TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

As the Township Board of Woodbridge Township, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of Woodbridge Township for the fiscal year ended March 31, 2007.

Financial Highlights

- The assets of Woodbridge Township exceeded its liabilities at the close of the most recent fiscal year by \$309,137. Of this amount, \$132,305 may be used to meet the Township's ongoing obligations to citizens and creditors.
- As of the close of the fiscal year, the Township's only governmental fund (general fund) reported an ending fund balance of \$132,305, a decrease of \$7,004 in comparison with the prior year. All of this amount is available for spending at the Township's discretion.
- At the end of the fiscal year, unreserved fund balance for the general fund was 58% of total general fund expenditures.
- The Township had no debt outstanding as of March 31, 2007.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Woodbridge Township's basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as **net assets**. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Township's financial position is improving or deteriorating.

The *statement of net activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (**governmental activities**) - - general government, public safety, public works, culture and recreation. The Township has no **business-type activities** - - functions that are intended to recover all or a significant portion of their costs through user fees and charges.

The government-wide financial statements can be found on pages 8 - 9 of this report.

WOODBRIIDGE TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Woodbridge Township, like other state and local governments, use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Township can be divided into two categories: governmental funds and fiduciary funds:

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Woodbridge Township records all of its governmental fund activity within the General Fund. No other major or nonmajor funds are required.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs.

The basic fund financial statements can be found on pages 10 - 12 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 - 18 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Township's budget. The Township adopts an annual appropriations budget for its general fund. A budgetary comparison statement has been provided for the general fund on pages 19 - 20 to demonstrate compliance with this budget.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As shown in Table I below, the Township's assets exceeded its liabilities by \$309,137 at the close of the most recent fiscal year.

A large portion of the Township's net assets (57%) reflects its investment in capital assets (e.g. land, buildings, equipment, and vehicles), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

**WOODBIDGE TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS**

| TABLE 1 - NET ASSETS | <u>2006</u> | <u>2007</u> |
|---|-------------------|-------------------|
| Assets: | | |
| Current Assets | \$ 142,808 | \$ 135,485 |
| Capital Assets, net of depreciation | <u>111,929</u> | <u>176,832</u> |
| Total Assets | <u>\$ 254,737</u> | <u>\$ 312,317</u> |
| Liabilities: | | |
| Current Liabilities | \$ 3,499 | \$ 3,180 |
| Long-term Liabilities | <u>0</u> | <u>0</u> |
| Total Liabilities | <u>\$ 3,499</u> | <u>\$ 3,180</u> |
| Net Assets: | | |
| Invested in Capital Assets, net of related debt | \$ 111,929 | \$ 176,832 |
| Restricted | 0 | 0 |
| Unrestricted | <u>139,309</u> | <u>132,305</u> |
| Total Net Assets | <u>\$ 251,238</u> | <u>\$ 309,137</u> |

Restricted net assets represents resources that are subject to external restrictions on how they may be used. The Township has no restricted net assets. The remaining balance of *unrestricted net assets* (\$132,305) may be used to meet the Township's ongoing obligations to citizens and creditors. At the end of the fiscal year, the Township was able to report positive balances in all three categories of net assets. The Township's net assets increased by \$57,899 as shown in Table 2 below.

| TABLE 2 - CHANGE IN NET ASSETS | <u>2006</u> | <u>2007</u> |
|-----------------------------------|-------------------|-------------------|
| Program Revenue: | | |
| Charges for services | \$ 26,700 | \$ 32,315 |
| Capital grants and contributions | 5,528 | 68,106 |
| General Revenue: | | |
| Property tax | 21,155 | 20,461 |
| State shared revenue | 91,048 | 91,664 |
| Other | <u>7,743</u> | <u>9,368</u> |
| Total Revenue | <u>\$ 152,174</u> | <u>\$ 221,914</u> |
| Expenses: | | |
| General Government | \$ 61,508 | \$ 62,898 |
| Public Safety | 19,898 | 15,642 |
| Public Works | 76,555 | 84,975 |
| Culture & Recreation | <u>500</u> | <u>500</u> |
| Total Expenses | <u>\$ 158,461</u> | <u>\$ 164,015</u> |
| INCREASE (DECREASE) IN NET ASSETS | <u>\$ (6,287)</u> | <u>\$ 57,899</u> |

WOODBRIIDGE TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

This year has been increases in expenses and cost that have corresponded with inflation and the demand for services. Beginning this year, the Township has hired an outside assessor to do the assessing. This was due to the death of Supervisor Vincent who had done the assessing.

Financial Analysis of the Township's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Township's *governmental fund* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Township's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of the Township's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental fund (general fund) reported ending fund balance of \$132,305, a decrease of \$7,004 in comparison with the prior year. All of the fund balance is *unreserved*, which indicated that is available for spending at the Township's discretion. Unreserved fund balance represents 58% of total general fund expenditures.

Key factors for the decrease in fund balance were as follows:

- The State of Michigan's economy has had a dramatic effect on the State Revenue Sharing, which is the largest component of the Township's revenue. This year's total of \$91,664 is similar to the past couple of years, but down 12% from four years ago.
- Road projects take up the largest percentage of the Township's expenditures budget. This year's total for road projects was \$55,826 which is higher than past years.
- The Woodbridge Township Fire Department had an increase in expenditures due to the Township paying a portion of their 5% share of the grant to purchase a new fire truck for the department. This payment was made so the supplier could order parts and start work on the truck.

General Fund Budgetary Highlights

The Township's budget is prepared according to Michigan law. During the fiscal year ended March 31, 2007, the Township amended the budget six times. The amendments were caused by an increase in insurance premiums and the prepayment of a portion of the Township's share of the Fire Department Grant for a new fire truck. Actual revenue of \$221,914 was above the original and final budgets (unchanged) of \$141,621. Actual expenditures of \$228,918 were above the original budget of \$179,800 and final budget of \$187,648.

Capital Assets and Debt Administration

Capital assets. As of March 31, 2007, the Township had \$295,548 invested in land, buildings, equipment, and vehicles. We have estimated that these assets have depreciated by \$118,716; therefore, we currently have net book value of \$176,832. Details of the Township's capital assets are continued in the notes to the financial statements on page 17.

Long-term debt. The Township had no long-term debt outstanding at March 31, 2007.

WOODBIDGE TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

Factors Bearing on the Township's Future

Until Michigan's economy rebounds, State Revenue Sharing will continue to decline; therefore, the Township Board has been discussing various options for income. These alternative revenue sources are road millage, Headlee override, tax collection fee, fire millage, and fees for property splits. The deteriorating road surfaces within the Township will continue to necessitate a need for a large share of the Township's annual income. The Township is also looking to purchase additional acreage for parking and future expansion.

Requests for Information

This report is designed to provide a general overview for all those with an interest in the Woodbridge Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Woodbridge Township Board, 12580 Frontier Road, Camden, MI 49232.

BASIC FINANCIAL STATEMENTS

TOWNSHIP OF WOODBRIDGE
STATEMENT OF NET ASSETS
MARCH 31, 2007

| | |
|---|-------------------|
| ASSETS | |
| Cash & investments | \$ 95,434 |
| Taxes receivable | 3,522 |
| Accounts receivable | 7,250 |
| Due from other governmental units | 29,279 |
| Capital assets - net | <u>176,832</u> |
| Total assets | <u>\$ 312,317</u> |
| LIABILITIES | |
| Accounts payable | \$ <u>3,180</u> |
| NET ASSETS | |
| Investment in capital assets, net of related debt | \$ 176,832 |
| Unrestricted | <u>132,305</u> |
| Total net assets | <u>\$ 309,137</u> |
| Total liabilities and net assets | <u>\$ 312,317</u> |

The accompanying notes are an integral part of this statement.

TOWNSHIP OF WOODBRIDGE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2007

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net (Expense) Revenue</u> |
|---------------------------|-------------------|---------------------------------|---|---|--------------------------------------|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | |
| General Government | \$ 62,898 | \$ 10,868 | \$ 0 | \$ 6,000 | \$ (46,030) |
| Public Safety | 15,642 | 21,447 | 0 | 62,106 | 67,911 |
| Public Works | 84,975 | 0 | 0 | 0 | (84,975) |
| Culture & Recreation | <u>500</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>(500)</u> |
| Total | <u>\$ 164,015</u> | <u>\$ 32,315</u> | <u>\$ 0</u> | <u>\$ 68,106</u> | <u>\$ (63,594)</u> |

General Revenues:

| | |
|---|--------------|
| Property tax, levied for general purposes | \$ 20,461 |
| State shared revenue | 91,664 |
| Unrestricted investment earnings | 3,545 |
| Other | <u>5,823</u> |

Total General Revenues \$ 121,493

Change in Net Assets \$ 57,899

Net Assets - Beginning 251,238

Net Assets - Ending \$ 309,137

The accompanying notes are an integral part of this statement.

TOWNSHIP OF WOODBRIDGE
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2007

| | General Fund | Other Funds | Total Governmental Funds |
|---|-------------------|----------------|--------------------------------|
| ASSETS | | | |
| Cash & investments | \$ 95,434 | \$ 0 | \$ 95,434 |
| Taxes receivable | 2,559 | 0 | 2,559 |
| Accounts receivable | 7,250 | 0 | 7,250 |
| Due from other governmental units | 29,279 | 0 | 29,279 |
| Due from agency fund | <u>963</u> | <u>0</u> | <u>963</u> |
| Total assets | <u>\$ 135,485</u> | <u>\$ 0</u> | <u>\$ 135,485</u> |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities: | | | |
| Accounts payable | <u>\$ 3,180</u> | <u>\$ 0</u> | <u>\$ 3,180</u> |
| Fund Balance: | | | |
| Reserved | \$ 0 | \$ 0 | \$ 0 |
| Unreserved/Undesignated | <u>132,305</u> | <u>0</u> | <u>132,305</u> |
| Total fund balance | <u>\$ 132,305</u> | <u>\$ 0</u> | <u>\$ 132,305</u> |
| Total liabilities and fund balance | <u>\$ 135,485</u> | <u>\$ 0</u> | <u>\$ 135,485</u> |

**Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to the Net Assets of Governmental Activities on the Statement of Net Assets**

| | |
|---|-------------------|
| Fund Balances - total governmental funds | \$ 132,305 |
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | |
| Add: Capital assets | 295,548 |
| Deduct: Accumulated depreciation | <u>(118,716)</u> |
| Net assets of governmental activities | <u>\$ 309,137</u> |

The accompanying notes are an integral part of this statement.

TOWNSHIP OF WOODBRIDGE
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2007

| | General <u>Fund</u> | Other <u>Funds</u> | Total Governmental <u>Funds</u> |
|--|------------------------|-----------------------|---------------------------------------|
| REVENUE | | | |
| Property taxes | \$ 20,461 | \$ 0 | \$ 20,461 |
| State shared revenue | 91,664 | 0 | 91,664 |
| Fire service | 21,447 | 0 | 21,447 |
| Cemetery | 7,156 | 0 | 7,156 |
| Dust control | 3,712 | 0 | 3,712 |
| Interest | 3,545 | 0 | 3,545 |
| Grants | 68,106 | 0 | 68,106 |
| Other | <u>5,823</u> | <u>0</u> | <u>5,823</u> |
| Total revenue | <u>\$ 221,914</u> | <u>\$ 0</u> | <u>\$ 221,914</u> |
| EXPENDITURES | | | |
| General Government | \$ 59,914 | \$ 0 | \$ 59,914 |
| Public Safety | 12,154 | 0 | 12,154 |
| Public Works | 84,975 | 0 | 84,975 |
| Recreation and Culture | 500 | 0 | 500 |
| Capital Outlay | <u>71,375</u> | <u>0</u> | <u>71,375</u> |
| Total expenditures | <u>\$ 228,918</u> | <u>\$ 0</u> | <u>\$ 228,918</u> |
| EXCESS OF REVENUE OVER (UNDER) EXPENDITURES | \$ (7,004) | \$ 0 | \$ (7,004) |
| FUND BALANCES - April 1, 2006 | <u>139,309</u> | <u>0</u> | <u>139,309</u> |
| FUND BALANCES - March 31, 2007 | <u>\$ 132,305</u> | <u>\$ 0</u> | <u>\$ 132,305</u> |

**Reconciliation of Statement of Revenue, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities**

Net changes in fund balances - total governmental funds \$ (7,004)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

| | |
|------------------------------|----------------|
| Add: capital outlay | 71,375 |
| Deduct: depreciation expense | <u>(6,472)</u> |

Change in net assets of governmental activities \$ 57,899

TOWNSHIP OF WOODBRIDGE
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUND
MARCH 31, 2007

ASSETS

Cash

\$ 963

LIABILITIES

Due to township general fund

\$ 963

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

TOWNSHIP OF WOODBRIDGE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Woodbridge is located in Hillsdale County, Michigan, and comprises a population of approximately 1,337 residents. It is governed by a board consisting of 5 members with a supervisor as its head.

The accounting policies of the Township of Woodbridge conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The following is a summary of significant accounting policies used by the Township of Woodbridge:

Reporting Entity

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

Component units are legally separate organizations for which the Township is financially accountable. Component units may also include organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt, or the levying of taxes. The Township has no component units.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. For the most part, the effect of interfund activity has been removed from these statements.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Township's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Property taxes, state shared revenue, and other items not properly included among program revenues are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Township.

Fund Financial Statements - Fund financial statements report detailed information about the Township. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Measurement Focus and Basis of Accounting

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when the

TOWNSHIP OF WOODBRIDGE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

liability is incurred, regardless of the timing of the 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.

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 to be collected with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting.

Under the modified accrual basis, property taxes, state shared revenue, interest, and grants are considered to be both measurable and available at fiscal year-end. All other revenue items are considered to be available only when cash is received by the Township.

Financial Statement Presentation

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

The Township reports the following major governmental funds:

General Fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the laws of the State of Michigan.

Additionally, the Township reports the following fund types:

Fiduciary Funds

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Assets, Liabilities, and Net Assets

Bank Deposits and Investments - Cash and investments are reported at cost.

Capital Assets - General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Township maintains a capitalization threshold of \$1,500. The Township does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not

TOWNSHIP OF WOODBRIDGE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related assets. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u> | <u>Estimated Lives</u> |
|--------------------------|------------------------|
| Buildings & Improvements | 50 years |
| Furniture & Equipment | 5-20 years |
| Vehicles | 20 years |

Interfund Balances - On fund financial statements, receivables and payables resulting from short-term interfund loans are reported as "due to/from other funds." These amounts are eliminated on the government-wide statement of net assets.

Interfund Activity - Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The legal level of budgetary control has been established by the Township Board at the line-item level. Any budgetary modifications may only be made by resolution of the Township Board. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements:

- 1) Prior to March 31, the Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing on April 1.
- 2) A public hearing is conducted during March to obtain taxpayer comments.
- 3) Prior to March 31, the budget is legally enacted through passage of a resolution.
- 4) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

TOWNSHIP OF WOODBRIDGE
 NOTES TO FINANCIAL STATEMENTS
 MARCH 31, 2007

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

During the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

| <u>Description</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--------------------------------|---------------|---------------|-----------------|
| General Government - Insurance | 10,869 | 10,969 | 100 |
| Capital Outlay | 0 | 71,375 | 71,375 |

NOTE 3 - DEPOSITS AND INVESTMENTS

State statutes authorize the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; 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 rated by two standard rating agencies 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. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. As of March 31, 2007, the Township's deposits are in accordance with statutory authority.

The Township's deposits and investments are subject to several types of risk, which are examined in more detail as follows:

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Township minimizes credit risk by limiting investments to the types of securities allowed by State law. The Township has no policy that would further limit its investment choices.

Concentration of Credit Risk - The Township places no limit on the amount the Township may invest in any one issuer.

Custodial Credit Risk - Custodial credit risk for deposits is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Township does not have a formal policy for custodial credit risk. At March 31, 2007, the carrying amount of the Township's bank deposits was \$96,397 and the bank's balance was also \$96,397. The entire bank balance was covered by federal depository insurance.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township has no policy that specifically identifies interest rate risk.

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

NOTE 4 - RECEIVABLES

Receivables at March 31, 2007, consist solely of property taxes and are considered collectible in full due to the payment of delinquent real property taxes by the Hillsdale County Treasurer.

TOWNSHIP OF WOODBRIDGE
 NOTES TO FINANCIAL STATEMENTS
 MARCH 31, 2007

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended March 31, 2007, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|--|------------------------------|-------------------|------------------|---------------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 11,745 | \$ 0 | \$ 0 | \$ 11,745 |
| Capital assets being depreciated | | | | |
| Buildings & Improvements | \$ 136,175 | \$ 0 | \$ 0 | \$ 136,175 |
| Vehicles | 55,000 | 65,375 | 0 | 120,375 |
| Furniture & Equipment | 21,253 | 6,000 | 0 | 27,253 |
| Subtotal | <u>\$ 212,428</u> | <u>\$ 71,375</u> | <u>\$ 0</u> | <u>\$ 283,803</u> |
| Less accumulated depreciation for | | | | |
| Buildings & Improvements | \$ (56,246) | \$ (2,724) | \$ 0 | \$ (58,970) |
| Vehicles | (44,500) | (750) | 0 | (45,250) |
| Furniture & Equipment | (11,498) | (2,998) | 0 | (14,496) |
| Subtotal | <u>\$(112,244)</u> | <u>\$ (6,472)</u> | <u>\$ 0</u> | <u>\$(118,716)</u> |
| Total capital assets being depreciated, net | <u>\$ 100,184</u> | <u>\$ 64,903</u> | <u>\$ 0</u> | <u>\$ 165,087</u> |
| Total capital assets, net | <u>\$ 111,929</u> | <u>\$ 64,903</u> | <u>\$ 0</u> | <u>\$ 176,832</u> |

Depreciation expense was charged to functions/programs of the Township as follows:

| | |
|--------------------|-----------------|
| General Government | \$ 2,984 |
| Public Safety | <u>3,488</u> |
| Total | <u>\$ 6,472</u> |

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances at March 31, 2007, is as follows:

| <u>Fund</u> | <u>Interfund Receivable</u> | <u>Fund</u> | <u>Interfund Payable</u> |
|--------------|-----------------------------|-------------|--------------------------|
| General Fund | <u>\$ 963</u> | Agency Fund | <u>\$ 963</u> |

Interfund transfers during the year consisted of the following:

| | |
|---|-----------|
| Transfer from Agency Fund to General Fund | \$ 19,787 |
|---|-----------|

The transfer was for the general fund portion of property taxes collected.

TOWNSHIP OF WOODBRIDGE
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

NOTE 7 - PROPERTY TAXES

Real estate and personal property taxes are recorded as revenue in an amount equal to the total taxes levied. There are no provisions made for possible uncollectible taxes. The total levy for 2006 was .7231 mills for general operations on a total state taxable valuation of approximately \$27,554,000. The Township properties are assessed as of December 31 (the lien date), taxes levied December 1 of the succeeding year and due without interest to March 1. After March 1, the delinquent taxes real portion are turned over to the County Treasurer for collection. The personal properties continue to be collectible by the Township Treasurer.

NOTE 8 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Township has purchased commercial insurance for claims relating to general liability, excess liability, auto liability, errors and omissions, physical damage (equipment, buildings and contents), workers compensation, and other appropriate coverages. There has been no significant reduction in insurance coverages, and settled claims have not exceeded the amount of insurance coverage in any of the past 3 years.

NOTE 9 - UNEMPLOYMENT TAXES

The Township is a reimbursing employer to the Michigan Unemployment Agency and as such is responsible to pay the Agency for those benefits paid and charged to its account. As of March 31, appropriate liabilities have been recorded for all claims paid by the Agency. However, no provision has been made for future payments that might result from claims in process or unfilled.

NOTE 10 - COMMITMENTS

In January, 2007, the Township received approval of a \$274,400 Federal grant to purchase a new fire truck. The grant requires a 5% local match. The truck was ordered, and a 25% downpayment was sent to the supplier in February, 2007. Delivery of the truck is expected in November, 2007.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF WOODBRIDGE
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED MARCH 31, 2007

| | Original Budget | Amended Budget | Actual | Variance With Amended Budget |
|--------------------------------------|--------------------|-------------------|-------------------|---------------------------------------|
| Beginning of year fund balance | \$ 60,786 | \$ 60,786 | \$ 139,309 | \$ 78,523 |
| Resources (inflows) | | | | |
| Property taxes | 18,968 | 18,968 | 20,461 | 1,493 |
| State shared revenue | 91,048 | 91,048 | 91,664 | 616 |
| Fire service | 15,740 | 15,740 | 21,447 | 5,707 |
| Cemetery | 7,835 | 7,835 | 7,156 | (679) |
| Dust control | 3,125 | 3,125 | 3,712 | 587 |
| Interest | 2,037 | 2,037 | 3,545 | 1,508 |
| Grants | 0 | 0 | 68,106 | 68,106 |
| Other | <u>2,868</u> | <u>2,868</u> | <u>5,823</u> | <u>2,955</u> |
| Amounts available for appropriation | <u>\$ 202,407</u> | <u>\$ 202,407</u> | <u>\$ 361,223</u> | <u>\$ 158,816</u> |
| Charges to appropriations (outflows) | | | | |
| General Government | | | | |
| Township board | \$ 2,000 | \$ 2,000 | \$ 2,000 | \$ 0 |
| Supervisor | 8,500 | 8,500 | 6,425 | (2,075) |
| Treasurer | 6,500 | 6,500 | 6,500 | 0 |
| Clerk | 6,500 | 6,500 | 6,500 | 0 |
| Assessor | 0 | 1,349 | 1,349 | 0 |
| Elections | 2,000 | 2,000 | 1,936 | (64) |
| Board of Review | 500 | 500 | 405 | (95) |
| Cemetery | 13,000 | 15,000 | 14,346 | (654) |
| Dues | 700 | 700 | 592 | (108) |
| Audit | 2,000 | 2,000 | 200 | (1,800) |
| Building and grounds | 2,000 | 2,000 | 1,358 | (642) |
| Insurance | 10,500 | 10,869 | 10,969 | 100 |
| Printing and publishing | 800 | 800 | 409 | (391) |
| Office | 6,000 | 6,000 | 3,946 | (2,054) |
| Travel | 1,500 | 1,500 | 873 | (627) |
| Tax statements | 3,000 | 3,000 | 0 | (3,000) |
| Payroll taxes | 4,000 | 4,000 | 2,106 | (1,894) |
| Mapping | 500 | 500 | 0 | (500) |
| Public Safety | | | | |
| Fire Department | 12,000 | 15,223 | 11,954 | (3,269) |
| Senior Center Tel-A-Tend | 0 | 200 | 200 | 0 |

TOWNSHIP OF WOODBRIDGE
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED MARCH 31, 2007

| | | | | |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Public Works | | | | |
| Roads | 60,000 | 60,000 | 55,826 | (4,174) |
| Dust control | 18,300 | 18,300 | 17,487 | (813) |
| Street lights | 1,500 | 1,500 | 1,342 | (158) |
| Drains | 2,500 | 3,207 | 3,206 | (1) |
| Solid waste | 15,000 | 15,000 | 7,114 | (7,886) |
| Culture & Recreation | | | | |
| Library | 500 | 500 | 500 | 0 |
| Capital Outlay | 0 | 0 | 71,375 | 71,375 |
| Contingency | <u>22,607</u> | <u>14,759</u> | <u>0</u> | <u>(14,759)</u> |
| Total charges to appropriations | <u>\$ 202,407</u> | <u>\$ 202,407</u> | <u>\$ 228,918</u> | <u>\$ 26,511</u> |
| End of year fund balance | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 132,305</u> | <u>\$ 132,305</u> |

OTHER SUPPLEMENTARY INFORMATION

TOWNSHIP OF WOODBRIDGE
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
CURRENT TAX COLLECTION FUND
FOR THE YEAR ENDED MARCH 31, 2007

| | <u>Balance</u> <u>April 1, 2006</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>March 31, 2007</u> |
|---------------------|--|-------------------|-------------------|---|
| ASSETS | | | | |
| Cash | \$ 90 | \$ 594,722 | \$ 593,849 | \$ 963 |
| LIABILITIES | | | | |
| Due to General Fund | \$ 90 | \$ 20,660 | \$ 19,787 | \$ 963 |
| Due to County | 0 | 341,341 | 341,341 | 0 |
| Due to Schools | 0 | 140,734 | 140,734 | 0 |
| Due to I.S.D. | <u>0</u> | <u>91,987</u> | <u>91,987</u> | <u>0</u> |
| | <u>\$ 90</u> | <u>\$ 594,722</u> | <u>\$ 593,849</u> | <u>\$ 963</u> |

The accompanying notes are an integral part of this statement.

Bailey, Hodshire
& Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

479 E. CHICAGO STREET
P.O. BOX 215
JONESVILLE, MI 49250

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E-MAIL: BAILEYHODSHIRE@SBCGLOBAL.NET

September 6, 2007

Woodbridge Township
Hillsdale County, Michigan

In planning and performing our audit of the financial statements of Woodbridge Township of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control.

Financial Statement Preparation

The Township does not have procedures in place to prepare financial statements in accordance with accounting principles generally accepted in the United States of America, including procedures to record accruals for revenue and expenditures, to track changes in capital assets, and to present required financial statement disclosures. We recognize the time and expense that would be required to obtain the necessary training and expertise to perform this task internally. We recommend that you continue to carefully review the draft financial statements and notes prepared by your external auditors prior to approving them and accepting responsibility for their content and presentation.

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's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we do consider the significant deficiency described above to be a material weakness.

In addition, we noted other matters involving the internal control and its operation that we did not consider to be significant deficiencies or material weaknesses.

Annual Budget

Notice of the required annual public hearing on the budget is being published in the paper and you have indicated that the hearing is being conducted, but there is no direct reference to the hearing in the minutes of the Board meetings. We recommend that the Board minutes specifically mention the public hearing and include a general description of any comments made by the public.

We further recommend that the budget be monitored carefully and amended when necessary to avoid any over-expenditure.

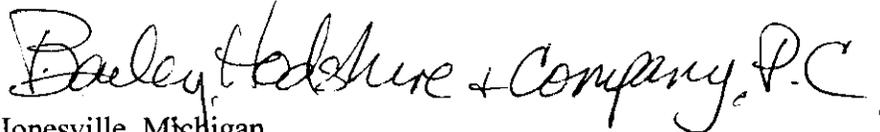
Payroll Reporting

The Township experienced the unfortunate death of one of its employees during the fiscal year. Accrued wages due to the employee were paid to his widow, the wages were reported on Form 941, and the resulting payroll taxes were paid. However, due to the timing involved, payroll taxes should not have been applied to this payment. We recommend that the Township file a corrected Form 941 for a refund of the payroll taxes paid.

State Chart of Accounts

State statutes require all governments to use a standard chart of accounts in maintaining financial records. We recommend that the Township implement the State chart of accounts to comply with State requirements.

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



Jonesville, Michigan
September 6, 2007