

TOWNSHIP OF WEST BRANCH  
Marquette County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended 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 <b>Township of West Branch</b>	County <b>Marquette</b>
Fiscal Year End <b>March 31, 2007</b>	Opinion Date <b>June 28, 2007</b>	Date Audit Report Submitted to State <b>September 6, 2007</b>	

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.)
- 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.
  - 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.
  - The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - The local unit has adopted a budget for all required funds.
  - A public hearing on the budget was held in accordance with State statute.
  - 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.
  - The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - The local unit only holds deposits/investments that comply with statutory requirements.
  - 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).
  - 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.
  - The local unit is free of repeated comments from previous years.
  - The audit opinion is UNQUALIFIED.
  - The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - The board or council approves all invoices prior to payment as required by charter or statute.
  - 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"/>	N/A	
Certified Public Accountant (Firm Name) <b>Campbell, Kusterer &amp; Co., PC</b>		Telephone Number <b>989-894-1040</b>	
Street Address <b>513 N. Lincoln St., Suite 100 PO Box 686</b>		City <b>Bay City</b>	State Zip <b>MI 48707</b>
Authorizing CPA Signature 		Printed Name <b>Mark J. Campbell</b>	License Number <b>1885282</b>

TOWNSHIP OF WEST BRANCH  
Marquette County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

June 28, 2007

To the Township Board  
Township of West Branch  
Marquette County, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of Township of West Branch, Marquette County, Michigan 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 Township of West Branch's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the Township of West Branch, Marquette County, Michigan as of March 31, 2007, and the respective changes in financial position and cash flows where applicable, of these activities and funds 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 listed in the table of contents 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.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF WEST BRANCH  
Marquette County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2007

The Management's Discussion and Analysis report of the Township of West Branch covers the Township's financial performance during the year ended March 31, 2007.

FINANCIAL HIGHLIGHTS

Net assets at March 31, 2007, totaled \$483,778.56 for governmental activities and \$1,894,632.14 for business activities (community center). Overall net assets decreased \$85,573.01.

Overall revenues were \$581,487.94 (\$283,217.25 from governmental activities and \$298,270.69 from business-type activities (community center).

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental and business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities and business-type activities. These include the General Fund, and Community Center Fund.

TOWNSHIP OF WEST BRANCH  
Marquette County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2007

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

**Governmental Funds:** Some of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include the General Fund.

**Business-Type Funds:** The Township has a Community Center Fund which includes the activity of providing culture and recreation activities.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our external debt at March 31, 2007 includes a balance of \$38,955.30 for the loans payable to the road commission and \$286,298.86 for loans within the Community Center Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The Tax Fund is used as a holding fund for property tax payments. The Community Center Fund is a business-type fund that provides culture and recreation activities.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$11,020.98 in capital assets.

The Township's business-type activities invested \$7,500.00 in capital assets.

The Township's governmental activities obtained \$16,043.43 of new debt and paid \$25,312.01 of principal on long-term debt.

The Township business-type activities paid \$6,035.65 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

State revenue sharing is a significant source of financing for the Township. The future of state revenue sharing is very uncertain and may cause difficulties for the Township in the future.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township at 1016 Co. Rd. 545 N, P.O. Box 56, Skandia, Michigan 49885 or by calling 906-360-2205.

TOWNSHIP OF WEST BRANCH  
Marquette County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Cash in bank	81 001 41	18 843 80	99 845 21
Investments	30 882 10	-	30 882 10
Taxes receivable	9 605 46	-	9 605 46
Prepaid expenses	<u>7 392 76</u>	<u>-</u>	<u>7 392 76</u>
Total Current Assets	<u>128 881 73</u>	<u>18 843 80</u>	<u>147 725 53</u>
<b>NON-CURRENT ASSETS:</b>			
Capital assets	290 971 98	2 561 409 89	2 852 381 87
Less: accumulated depreciation	<u>(93 532 32)</u>	<u>(146 912 80)</u>	<u>(240 445 12)</u>
Total Non-current Assets	<u>197 439 66</u>	<u>2 414 497 09</u>	<u>2 611 936 75</u>
<b>TOTAL ASSETS</b>	<u><u>326 321 39</u></u>	<u><u>2 433 340 89</u></u>	<u><u>2 759 662 28</u></u>
<b>LIABILITIES AND NET ASSETS:</b>			
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	25 046 51	30 950 91	55 997 42
Internal balances	<u>(221 458 98)</u>	<u>221 458 98</u>	<u>-</u>
Total Current Liabilities	<u>(196 412 47)</u>	<u>252 409 89</u>	<u>55 997 42</u>
<b>NON-CURRENT LIABILITIES:</b>			
Loan payable	38 955 30	-	38 955 30
Note payable	<u>-</u>	<u>286 298 86</u>	<u>286 298 86</u>
Total Non-current Liabilities	<u>38 955 30</u>	<u>286 298 86</u>	<u>325 254 16</u>
Total Liabilities	<u>(157 457 17)</u>	<u>538 708 75</u>	<u>381 251 58</u>
<b>NET ASSETS:</b>			
Invested in capital assets, Net of related debt	158 484 36	2 128 198 23	2 286 682 59
Unrestricted	<u>325 294 20</u>	<u>(233 566 09)</u>	<u>91 728 11</u>
Total Net Assets	<u>483 778 56</u>	<u>1 894 632 14</u>	<u>2 378 410 70</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>326 321 39</u></u>	<u><u>2 433 340 89</u></u>	<u><u>2 759 662 28</u></u>

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

TOWNSHIP OF WEST BRANCH  
Marquette County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2007

	<u>Expenses</u>	<u>Program Revenue</u>  <u>Charges for Service</u>	<u>Governmental Activities</u> <u>Net (Expense) Revenue and Changes in Net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
Legislative	70 086 49	-	(70 086 49)
General government	63 254 22	13 525 44	(49 728 78)
Public safety	3 265 55	-	(3 265 55)
Public works	22 860 80	12 477 43	(10 383 37)
Culture and recreation	25 754 25	-	(25 754 25)
Other	68 261 20	-	(68 261 20)
Interest on long-term debt	1 221 73	-	(1 221 73)
<b>Total Governmental Activities</b>	<u>254 704 24</u>	<u>26 002 87</u>	<u>(228 701 37)</u>
Business-Type Activities:			
Community Center	412 380 63	171 903 27	-
<b>Total Business-Type Activities</b>	<u>412 380 63</u>	<u>171 903 27</u>	<u>-</u>
<b>Total Primary Government</b>	<u>667 084 87</u>	<u>197 906 14</u>	<u>(228 701 37)</u>
General Revenues:			
Property taxes			89 329 84
Other taxes			1 568 91
State revenue sharing			127 481 22
Interest			11 022 56
Miscellaneous			27 811 85
<b>Total General Revenues</b>			<u>257 214 38</u>
Change in net assets			28 513 01
Net assets, beginning of year			<u>455 265 55</u>
Net Assets, End of Year			<u>483 778 56</u>

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

<u>Business-Type Activities</u>	<u>Total</u>
Net (Expense) Revenue and Changes in Net Assets	Net (Expense) Revenue and Changes in Net Assets
-	(70 086 49)
-	(49 728 78)
-	(3 265 55)
-	(10 383 37)
-	(25 754 25)
-	(68 261 20)
-	(1 221 73)
<u>-</u>	<u>(228 701 37)</u>
<u>(240 477 36)</u>	<u>(240 477 36)</u>
<u>(240 477 36)</u>	<u>(240 477 36)</u>
<u>(240 477 36)</u>	<u>(469 178 73)</u>
-	89 329 84
-	1 568 91
-	127 481 22
23 92	11 046 48
<u>126 367 42</u>	<u>154 179 27</u>
<u>126 391 34</u>	<u>383 605 72</u>
(114 086 02)	(85 573 01)
<u>2 008 718 16</u>	<u>2 463 983 71</u>
<u>1 894 632 14</u>	<u>2 378 410 70</u>

TOWNSHIP OF WEST BRANCH  
Marquette County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
March 31, 2007

	<u>General</u>
<u>Assets</u>	
Cash in bank	79 352 22
Investments	30 882 10
Taxes receivable	9 605 46
Due from other funds	223 108 17
Prepaid expense	<u>7 392 76</u>
Total Assets	<u>350 340 71</u>
<u>Liabilities and Fund Equity</u>	
Liabilities:	
Accounts payable	<u>25 046 51</u>
Total liabilities	<u>25 046 51</u>
Fund equity:	
Fund balances:	
Reserved for debt service	-
Unreserved:	
Undesignated	<u>325 294 20</u>
Total fund equity	<u>325 294 20</u>
Total Liabilities and Fund Equity	<u>350 340 71</u>

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

TOWNSHIP OF WEST BRANCH  
Marquette County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
March 31, 2007

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	325 294 20
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 governmental funds balance sheet:	
Capital assets at cost	290 971 98
Accumulated depreciation	(93 532 32)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Loan payable	<u>(38 955 30)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>483 778 56</u></u>

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

TOWNSHIP OF WEST BRANCH  
Marquette County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended March 31, 2007

	<u>General</u>
Revenues:	
Property taxes	89 329 84
Other taxes	1 568 91
Licenses and permits	4 500 67
State revenue sharing	127 481 22
Charges for services – PTAF	7 622 02
Charges for services – other	13 880 18
Interest	11 022 56
Miscellaneous	27 811 85
Total revenues	283 217 25
Expenditures:	
Legislative:	
Township Board	70 086 49
General government:	
Supervisor	8 580 00
Elections	3 964 34
Assessor	8 256 87
Clerk	11 479 07
Board of Review	900 00
Treasurer	13 243 74
Building and grounds	9 224 96
Cemetery	759 05
Public safety:	
Planning and zoning	3 265 55
Public works:	
Highways and streets	22 860 80
Culture and recreation:	
Library	20 736 39
Parks and recreation	4 445 52
Other:	
Skandia / West Branch Joint Operations	60 980 14
Sawyer Operations Authority	7 281 06
Capital outlay	11 020 98
Debt service	26 534 20
Total expenditures	283 619 16
Excess (deficiency) of revenues over expenditures	(401 91)
Other financing sources (uses):	
Loan proceeds	16 043 43
Total other financing sources (uses)	16 043 43
Excess (deficiency) of revenues and other sources over expenditures and other uses	15 641 52
Fund balances, April 1	309 652 68
Fund Balances, March 31	325 294 20

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

TOWNSHIP OF WEST BRANCH  
Marquette County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended March 31, 2007

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	15 641 52
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation	
Depreciation Expense	(7 418 53)
Capital Outlay	11 020 98
Receipt of debt proceeds is a financing source in the governmental funds, the receipt does not have an effect in the statement of activities but does increase the debt balance in the statement of net assets	
	(16 043 43)
Repayment of debt principal is an expenditure in the governmental funds, the repayment does not have an effect in the statement of activities but does reduce the debt balance in the statement of net assets.	
Principal payments on long-term debt	<u>25 312 47</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>28 513 01</u></u>

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

TOWNSHIP OF WEST BRANCH  
Marquette County, Michigan

STATEMENT OF NET ASSETS – ALL PROPRIETARY FUNDS  
March 31, 2007

	<u>Community Center</u>
<u>Assets</u>	
Current assets:	
Cash in bank	18 843 80
Total current assets	<u>18 843 80</u>
Fixed assets:	
Land	277 700 00
Buildings	2 276 209 89
Equipment	7 500 00
Total fixed assets before depreciation	<u>2 561 409 89</u>
Accumulated depreciation	(146 912 80)
Total fixed assets	<u>2 414 497 09</u>
Total Assets	<u><u>2 433 340 89</u></u>
<u>Liabilities and Net Assets</u>	
Liabilities:	
Current liabilities:	
Accounts payable	30 950 91
Due to other funds	221 458 98
Total current liabilities	<u>252 409 89</u>
Long term liabilities	
Note payable	286 298 86
Total long term liabilities	<u>286 298 86</u>
Total liabilities	<u>538 708 75</u>
Net assets:	
Invested in capital assets, net of related debt	2 128 198 23
Unrestricted (deficit)	(233 566 09)
Total net assets	<u>1 894 632 14</u>
Total Liabilities and Net Assets	<u><u>2 433 340 89</u></u>

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

TOWNSHIP OF WEST BRANCH  
Marquette County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS –  
ALL PROPRIETARY FUNDS  
Year ended March 31, 2007

	<u>Community Center</u>
Operating revenues:	
Charges for services	171 903 27
Miscellaneous	126 367 42
Total operating revenues	298 270 69
Operating expenses:	
Wages	112 385 66
Payroll taxes	8 092 73
Contracted services	17 521 97
Supplies	21 911 70
Utilities	139 343 81
Repairs and maintenance	27 593 03
Insurance	351 00
Miscellaneous	15 544 21
Total operating expenses before depreciation	342 744 11
Operating income (loss) before depreciation	(44 473 42)
Less depreciation	(66 052 40)
Operating income (loss)	(110 525 82)
Non-operating income (expense):	
Interest earnings	23 92
Interest expense	(3 584 12)
Net non-operating income (expense)	(3 560 20)
Net income (loss)	(114 086 02)
Net assets, beginning of year	2 008 718 16
Net Assets, End of Year	1 894 632 14

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

TOWNSHIP OF WEST BRANCH  
Marquette County, Michigan

STATEMENT OF CASH FLOWS – ALL PROPRIETARY FUNDS  
Year ended March 31, 2007

	<u>Community Center</u>
Cash flows from operating activities:	
Cash received from customers	171 903 27
Cash payments to suppliers for goods and services	(199 407 54)
Cash payments to employees for services	(112 385 66)
Miscellaneous revenue	126 367 42
Net cash provided (used) for operating activities	(13 522 51)
Cash flows from capital and related financing activities:	
Principal paid on long-term debt	(6 035 65)
Interest paid on long-term debt	(3 584 12)
Increase in capital assets	(7 500 00)
Net cash provided (used) by capital and related financing activities	(17 119 77)
Cash flows from non-capital financing activities:	
Increase (decrease) in amounts due to other funds	46 993 69
Net cash provided (used) from non-capital financing activities	46 993 69
Cash flows from investing activities:	
Interest income	23 92
Net cash provided (used) for investing activities	23 92
Net increase (decrease) in cash	16 375 33
Cash beginning of year	2 468 47
Cash End of Year	18 843 80
Reconciliation of operating income to net cash provided (used) for operating activities:	
Operating income (loss)	(110 525 82)
Depreciation	66 052 40
Increase (decrease) in assets and liabilities:	
Accounts payable	30 950 91
Net Cash Provided (Used) for Operating Activities	(13 522 51)

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

TOWNSHIP OF WEST BRANCH  
Marquette County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of West Branch, Marquette County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of West Branch. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

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

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

Major individual governmental and business-type funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

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

TOWNSHIP OF WEST BRANCH  
Marquette County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of this fund are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present revenues and expenses in net total assets. The accrual basis of accounting is utilized by the proprietary fund type. Under this basis of accounting revenues are recognized when earned and expenses are recognized when the related liability is incurred.

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Proprietary Fund

Enterprise Fund

The Enterprise Fund reports operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

All purchases of materials are reflected in expenses when paid in all funds.

TOWNSHIP OF WEST BRANCH  
Marquette County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

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 with the final collection date of February 28 before they are added to the county tax rolls. The 2006 tax roll millage rate was 4.1085 mills, and the taxable value was \$21,744,480.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$2,500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	40 years
Furniture and equipment	5-15 years

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

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

TOWNSHIP OF WEST BRANCH  
Marquette County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes 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 obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date 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.

The Township Board has designated three banks for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

TOWNSHIP OF WEST BRANCH  
Marquette County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 3 – Deposits and Investments (continued)

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>99 845 21</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	118 573 92
Uninsured and Uncollateralized	-
Total Deposits	<u>118 573 92</u>

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
<u>Investment Type</u>				
Risk-Categorized: Operating Funds	-	-	-	-
Total Risk-Categorized Investments	-	-	-	-
Non-risk-Categorized: Financial Institution Pooled Funds				30 882 10
Total Investments				<u>30 882 10</u>

TOWNSHIP OF WEST BRANCH  
Marquette County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

**Note 4 – Capital Assets**

Capital asset activity of the Township's Governmental and Business-Type activities for the current year was as follows:

	<u>Balance 4/1/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/07</u>
<b><u>Governmental Activities:</u></b>				
Land and improvements	65 986 00	-	-	65 986 00
Buildings and improvements	201 226 00	-	-	201 226 00
Equipment	<u>12 739 00</u>	<u>11 020 98</u>	<u>-</u>	<u>23 759 98</u>
Total	279 951 00	11 020 98	-	290 971 98
Accumulated depreciation	<u>(86 113 79)</u>	<u>(7 418 53)</u>	<u>-</u>	<u>(93 532 32)</u>
Net Governmental Capital Assets	<u>193 837 21</u>	<u>3 602 45</u>	<u>-</u>	<u>197 439 66</u>
<b><u>Business-Type Activities:</u></b>				
Community Center	2 553 909 89	7 500 00	-	2 561 409 89
Accumulated depreciation	<u>(80 860 40)</u>	<u>(66 052 40)</u>	<u>-</u>	<u>(146 912 80)</u>
Net Business-Type Capital Assets	<u>2 473 049 49</u>	<u>(58 552 40)</u>	<u>-</u>	<u>2 414 497 09</u>

**Note 5 – Deferred Compensation Plan**

The Township does not have a deferred compensation plan.

**Note 6 – Pension Plan**

The Township has a defined contribution pension plan covering all elected officials. The Township contributes a percentage of each covered employee's wages to the plan. Each covered employee also contributes to the plan. The net pension expense for the fiscal year ended March 31, 2007, was \$2,044.00.

**Note 7 – Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 8 – Building Permits**

The Township does not issue building permits. Building permits are issued by Marquette County.

TOWNSHIP OF WEST BRANCH  
Marquette County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 9 – Changes in General Long-Term Debt

A summary of changes in general long-term debt follows:

	<u>Balance 4/1/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/07</u>
Loan payable - Road Commission – 2005	48 224 34	-	24 299 82	23 924 52
Loan payable- Road Commission – 2006	-	16 043 43	1 012 65	15 030 78
<b>Total</b>	<u>48 224 34</u>	<u>16 043 43</u>	<u>25 312 47</u>	<u>38 955 30</u>

Note 10 – Loans Payable – Road Commission

The Township partially funded road work by obtaining loans from the Marquette County Road Commission. The Township is making monthly payments including interest. The principal balance outstanding on the loans as of March 31, 2007, was \$23,924.52 and \$15,030.78.

Note 11 – Changes in Business-Type Long-Term Debt

A summary of changes in business-type long-term debt follows:

	<u>Balance 4/1/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/07</u>
Loan Payable- Building Improvement	230 615 00	-	-	230 615 00
Note payable - MTEC	61 719 51	-	6 035 65	55 683 86
<b>Total</b>	<u>292 334 51</u>	<u>-</u>	<u>6 035 65</u>	<u>286 298 86</u>

Note 12 – Loan Payable – Building Improvement

On August 18, 2004, the Township obtained a loan in the amount of \$235,000.00 to fund building improvements from Marquette County. The initial agreement required monthly payments including interest. A subsequent agreement called for a deferment of principal payments and reduction of interest to a rate of 1.25% per annum for 24 months beginning April 12, 2005. As of March 31, 2007, the principal balance outstanding was \$230,615.00 and it is recorded in the Community Center Fund.

Note 13 – Note Payable- MTEC

On October 17, 2005, the Township obtained a loan in the amount of \$65,137.00 to fund improvements to the community center. The loan requires monthly payments of \$960.80 including interest. The Township made regular payments through September 2006. As of March 31, 2007 the Township was delinquent in its payments from October 2006 until March 2007. The principal balance outstanding at March 31, 2007 was \$55,683.86 and it is recorded in the Community Center Fund.

<u>Date</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
10/17/2006	960 80	92 81	867 99	54 815 87
11/17/2006	960 80	91 36	869 44	53 946 43
12/17/2006	960 80	89 91	870 89	53 075 54
1/17/2007	960 80	88 46	872 34	52 203 20
2/17/2007	960 80	87 01	873 79	51 329 41
3/17/2007	960 80	85 55	875 25	50 454 16
4/17/2007	960 80	84 09	876 71	49 577 45
5/17/2007	960 80	82 63	878 17	48 699 28

TOWNSHIP OF WEST BRANCH  
Marquette County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 13 – Note Payable- MTEC (continued)

<u>Date</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
6/17/2007	960 80	81 17	879 63	47 819 65
7/17/2007	960 80	79 70	881 10	46 938 55
8/17/2007	960 80	78 23	882 57	46 055 98
9/17/2007	960 80	76 76	884 04	45 171 94
10/17/2007	960 80	75 29	885 51	44 286 43
11/17/2007	960 80	73 81	886 99	43 399 44
12/17/2007	960 80	72 33	888 47	42 510 97
1/17/2008	960 80	70 85	889 95	41 621 02
2/17/2008	960 80	69 37	891 43	40 729 59
3/17/2008	960 80	67 88	892 92	39 836 67
4/17/2008	960 80	66 39	894 41	38 942 26
5/17/2008	960 80	64 90	895 90	38 046 36
6/17/2008	960 80	63 41	897 39	37 148 97
7/17/2008	960 80	61 91	898 89	36 250 08
8/17/2008	960 80	60 42	900 38	35 349 70
9/17/2008	960 80	58 92	901 88	34 447 82
10/17/2008	960 80	57 41	903 39	33 544 43
11/17/2008	960 80	55 91	904 89	32 639 54
12/17/2008	960 80	54 40	906 40	31 733 14
1/17/2009	960 80	52 89	907 91	30 825 23
2/17/2009	960 80	51 38	909 42	29 915 81
3/17/2009	960 80	49 86	910 94	29 004 87
4/17/2009	960 80	48 34	912 46	28 092 41
5/17/2009	960 80	46 82	913 98	27 178 43
6/17/2009	960 80	45 30	915 50	26 262 93
7/17/2009	960 80	43 77	917 03	25 345 90
8/17/2009	960 80	42 24	918 56	24 427 34
9/17/2009	960 80	40 71	920 09	23 507 25
10/17/2009	960 80	39 18	921 62	22 585 63
11/17/2009	960 80	37 64	923 16	21 662 47
12/17/2009	960 80	36 10	924 70	20 737 77
1/17/2010	960 80	34 56	926 24	19 811 53
2/17/2010	960 80	33 02	927 78	18 883 75
3/17/2010	960 80	31 47	929 33	17 954 42
4/17/2010	960 80	29 92	930 88	17 023 54
5/17/2010	960 80	28 37	932 43	16 091 11
6/17/2010	960 80	26 82	933 98	15 157 13
7/17/2010	960 80	25 26	935 54	14 221 59
8/17/2010	960 80	23 70	937 10	13 284 49
9/17/2010	960 80	22 14	938 66	12 345 83
10/17/2010	960 80	20 58	940 22	11 405 61
11/17/2010	960 80	19 01	941 79	10 463 82
12/17/2010	960 80	17 44	943 36	9 520 46
1/17/2011	960 80	15 87	944 93	8 575 53
2/17/2011	960 80	14 29	946 51	7 629 02
3/17/2011	960 80	12 72	948 08	6 680 94
4/17/2011	960 80	11 13	949 67	5 731 27
5/17/2011	960 80	9 55	951 25	4 780 02
6/17/2011	960 80	7 97	952 83	3 827 19
7/17/2011	960 80	6 38	954 42	2 872 77
8/17/2011	960 80	4 79	956 01	1 916 76
9/17/2011	960 80	3 19	957 61	959 15
10/17/2011	960 80	1 65	959 15	0
	<u>58 608 80</u>	<u>2 924 94</u>	<u>55 683 86</u>	

TOWNSHIP OF WEST BRANCH  
Marquette County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

**Note 14 – Contingent Liability**

The Township has a contingent liability for principal and interest payments on a bond obtained by the Marquette County Solid Waste Management Authority. The Township is liable for these payments if they are not made by the Authority. The Authority paid the amounts due for the fiscal years ended March 31, 2006 and March 31, 2007. As of March 31, 2007, the outstanding principal balance was \$14,319.00.

**Note 15 – Interfund Receivables and Payables**

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	221 458 98	Community Center	221 458 98
General	<u>1 649 19</u>	Current Tax Collection	<u>1 649 19</u>
<b>Total</b>	<b><u>223 108 17</u></b>	<b>Total</b>	<b><u>223 108 17</u></b>

**Note 16 – Deficit Unrestricted Net Assets**

The business-type Community Center Fund incurred a net loss in the year ended March 31, 2007, in the amount of \$114,086.02. This results in a cumulative deficit in unrestricted net assets at March 31, 2007 of \$233,566.09. The Township Board is required to adopt and file a deficit elimination plan that explains the plan to eliminate the deficit.

**Note 17 – Budget Variances**

For the fiscal year ended March 31, 2007, Township expenditures exceeded the budgeted amounts in several activities as follows:

	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Excess Expenditures</u>
General Fund Activity:			
Clerk	11 300 00	11 479 07	179 07
Highways and streets	6 600 00	22 860 80	16 260 80
Library	-	20 736 39	20 736 39
Skandia/West Branch Joint			
Operations	47 000 00	60 980 14	13 980 14
Capital outlay	1 319 67	11 020 98	9 701 31

TOWNSHIP OF WEST BRANCH  
Marquette County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 18 – Joint Operations – Unaudited

The Townships of West Branch and Skandia jointly administer expenses for fire department, first responders, landfill facility, recreation facilities and road construction projects. The Townships of West Branch and Forsyth jointly administer expenses for operations for the Sawyer Operations Authority which include fire protection and recreation. Annual budgets are prepared and submitted to the Township Boards for approval. Each Township makes periodic payments to joint operating accounts and all joint expenses are paid from the accounts. A summary of unaudited activity for each of the joint operations is as follows:

	<u>Skandia/ West Branch Joint Operations</u>	<u>Sawyer Operations Authority</u>
<b>Revenues:</b>		
Marquette County	-	18 500 00
Skandia Township	60 980 14	-
West Branch Township	60 980 14	7 281 06
Forsyth Township	-	7 281 06
Charges for services	1 362 50	-
Other	<u>37 989 83</u>	<u>-</u>
<b>Total Revenues</b>	<u><u>161 312 61</u></u>	<u><u>33 062 12</u></u>
<b>Expenditures:</b>		
Administration	4 344 85	9 008 22
Fire department	36 399 06	-
Building and grounds	10 267 69	-
Transfer facility	56 527 40	-
First responders	30 192 27	-
Other	36 78	-
Public safety	-	11 744 19
Learning center	-	7 809 24
Recreation	6 060 23	-
Water department	<u>17 484 33</u>	<u>-</u>
<b>Total Expenses</b>	<u><u>161 312 61</u></u>	<u><u>28 561 65</u></u>

TOWNSHIP OF WEST BRANCH  
Marquette County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended March 31, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	23 708 00	23 708 00	89 329 84	65 621 84
Other taxes	1 068 00	1 068 00	1 568 91	500 91
Licenses and permits	6 500 00	6 500 00	4 500 67	(1 999 33)
State revenue sharing	133 650 00	133 650 00	127 481 22	(6 168 78)
Charges for services:				
PTAF	3 800 00	3 800 00	7 622 02	3 822 02
Other	14 150 00	14 150 00	13 880 18	(269 82)
Interest	7 500 00	7 500 00	11 022 56	3 522 56
Miscellaneous	27 046 00	27 046 00	27 811 85	765 85
Total revenues	217 422 00	217 422 00	283 217 25	65 795 25
Expenditures:				
Legislative:				
Township Board	64 946 00	86 380 00	70 086 49	(16 293 51)
General government:				
Supervisor	8 900 00	8 900 00	8 580 00	(320 00)
Elections	4 150 00	4 125 00	3 964 34	(160 66)
Assessor	8 525 00	8 950 00	8 256 87	(693 13)
Clerk	11 150 00	11 300 00	11 479 07	179 07
Board of Review	700 00	900 00	900 00	-
Treasurer	12 250 00	13 305 00	13 243 74	(61 26)
Building and grounds	8 275 00	9 405 00	9 224 96	(180 04)
Cemetery	1 150 00	840 00	759 05	(80 95)
Public safety:				
Planning and zoning	4 800 00	3 750 00	3 265 55	(484 45)
Public works:				
Highways and streets	7 000 00	6 600 00	22 860 80	16 260 80
Culture and recreation:				
Library	-	-	20 736 39	20 736 39
Parks and recreation	2 941 67	4 510 00	4 445 52	(64 48)
Other:				
Skandia/West Branch Joint				
Operations	72 600 00	47 000 00	60 980 14	13 980 14
Sawyer Operations Authority	8 000 00	10 000 00	7 281 06	(2 718 94)
Capital outlay	1 319 67	1 319 67	11 020 98	9 701 31
Debt service	22 229 17	26 800 00	26 534 20	(265 80)
Total expenditures	238 936 51	244 084 67	283 619 16	39 534 49

TOWNSHIP OF WEST BRANCH  
Marquette County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended March 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Excess (deficiency) of revenues over expenditures	<u>(21 514 51)</u>	<u>(26 662 67)</u>	<u>(401 91)</u>	<u>26 260 76</u>
Other financing sources (uses):				
Loan proceeds	<u>-</u>	<u>-</u>	<u>16 043 43</u>	<u>16 043 43</u>
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>16 043 43</u>	<u>16 043 43</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(21 514 51)</u>	<u>(26 662 67)</u>	<u>15 641 52</u>	<u>42 304 19</u>
Fund balance, April 1	<u>21 514 51</u>	<u>26 662 67</u>	<u>243 600 28</u>	<u>216 937 61</u>
Fund Balance, March 31	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>259 241 80</u></u>	<u><u>259 241 80</u></u>

TOWNSHIP OF WEST BRANCH  
Marquette County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2007

Township Board:	13 989 34
Salaries	5 612 28
Payroll taxes	2 044 00
Pension	3 067 56
Contracted services	4 665 67
Professional services	715 70
Memberships and dues	27 302 50
Insurance	7 551 04
Supplies	5 138 40
Miscellaneous	<u>70 086 49</u>
Supervisor:	<u>8 580 00</u>
Salary	
Elections:	3 425 91
Contracted services	538 43
Supplies	<u>3 964 34</u>
Assessor:	5 585 00
Contracted services	2 671 87
Supplies	<u>8 256 87</u>
Clerk:	10 433 75
Salary	1 045 32
Miscellaneous	<u>11 479 07</u>
Board of Review:	<u>900 00</u>
Wages	
Treasurer:	12 919 24
Salary	279 50
Supplies	45 00
Miscellaneous	<u>13 243 74</u>
Building and grounds:	2 427 75
Wages	5 757 55
Utilities	769 66
Repairs and maintenance	270 00
Miscellaneous	<u>9 224 96</u>
Cemetery:	533 26
Wages	111 79
Utilities	114 00
Repairs and maintenance	<u>759 05</u>
Planning and zoning:	3 156 20
Wages	109 35
Miscellaneous	<u>3 265 55</u>
Highways and streets:	16 278 83
Repairs and maintenance	6 581 97
Street lighting	<u>22 860 80</u>

TOWNSHIP OF WEST BRANCH  
Marquette County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2007

Library	<u>20 736 39</u>
Parks and recreation:	
Utilities	2 655 67
Repairs and maintenance	<u>1 789 85</u>
	<u>4 445 52</u>
Skandia/West Branch Joint Operations	<u>60 980 14</u>
Sawyer Operations Authority	<u>7 281 06</u>
Capital outlay	<u>11 020 98</u>
Debt service	<u>26 534 20</u>
Total Expenditures	<u><u>283 619 16</u></u>

TOWNSHIP OF WEST BRANCH  
Marquette County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year ended March 31, 2007

	<u>Balance</u> <u>4/1/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/07</u>
<u>Assets</u>				
Cash in Bank	<u>1 471 35</u>	<u>531 434 09</u>	<u>531 256 25</u>	<u>1 649 19</u>
<u>Liabilities</u>				
Due to other funds	1 471 35	72 819 87	72 642 03	1 649 19
Due to other units	<u>-</u>	<u>458 614 22</u>	<u>458 614 22</u>	<u>-</u>
Total Liabilities	<u>1 471 35</u>	<u>531 434 09</u>	<u>531 256 25</u>	<u>1 649 19</u>

TOWNSHIP OF WEST BRANCH  
Marquette County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
Year ended March 31, 2007

Cash in bank – beginning of year	<u>1 471 35</u>
Cash receipts:	
Property tax	526 254 85
Property tax administration fees	<u>5 179 24</u>
Total cash receipts	<u>531 434 09</u>
Total beginning balance and cash receipts	<u>532 905 44</u>
Cash disbursements:	
Township General Fund	72 642 033
Marquette County	275 603 71
Peter White Library	20 675 20
Marquette Area Intermediate School District	39 256 19
Gwinn Area Community Schools	121 776 24
Refunds	<u>1 302 88</u>
Total cash disbursements	<u>531 256 25</u>
Cash in Bank – End of Year	<u>1 649 19</u>

# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 28, 2007

To the Township Board  
Township of West Branch  
Marquette County, Michigan

We have audited the financial statements of the Township of West Branch for the year ended March 31, 2007. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of West Branch in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

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In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **DEFICIT RETAINED EARNINGS**

The business-type Community Center Fund incurred a net loss in the year ended March 31, 2007, in the amount of \$114,086.02. This results in a cumulative deficit in unreserved net assets at March 31, 2007, of \$233,566.09. The Township Board is required to adopt and file a deficit elimination plan that explains the plan to eliminate the deficit.

#### **PAID INVOICES**

A number of invoices paid during the year ended March 31, 2007, could not be located during the audit. We recommend that a written invoice be required for every disbursement. We also recommend that all paid invoices be retained and filed in a logical manner.

#### **BANK STATEMENTS AND BANK RECONCILIATIONS**

Several bank statements could not be located during the audit. The located bank statements did not include bank reconciliations. We recommend that the Township Treasurer reconcile every bank statement, attach the reconciliation to the bank statement, furnish a copy of the reconciliation to the Township Clerk and retain and file the bank statements and reconciliations in a logical manner.

#### **FINANCIAL STATEMENTS AND GENERAL LEDGERS**

The Township Clerk prepares computerized financial statements and general ledgers. These documents included uncorrected errors. We recommended that each Township Board Member be provided with a copy of the financial statements and general ledgers for the General Fund and the Community Center Fund. We recommend that the Township Board review and approve the financial statements and general ledgers on a monthly basis.

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BANK TRANSFERS

The audit disclosed various transfers between bank accounts. We recommend that all transfers between bank accounts require prior approval by the Township Board. We also recommend that these transfers be accomplished by the writing of a check, whenever possible.

BUDGETING

During the fiscal year ended March 31, 2007, Township expenditures exceeded the budgeted amounts in several activities. We recommend that the Township board adopt and amend the budgets to comply with state law.

JOINT OPERATIONS- UNAUDITED

The Township paid \$60,980.14 to the Skandia/West Branch Joint Operations and \$7,281.06 to the Sawyer Operations Authority. These operations are unaudited. We recommend that the Township require that these operations obtain audits.

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2007.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,



CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants