

# 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 checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name <b>CITY OF WEST BRANCH</b>	County <b>OGEMAW</b>
Fiscal Year End <b>06/30/2007</b>	Opinion Date <b>10/26/2007</b>	Date Audit Report Submitted to State <b>12/28/2007</b>	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

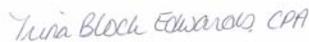
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

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

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.

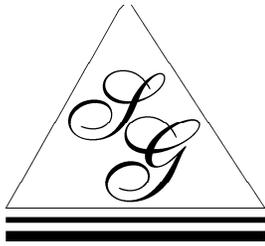
If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or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

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

<b>We have enclosed the following:</b>	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) <b>STEPHENSON, GRACIK &amp; CO., P.C.</b>		Telephone Number <b>(989) 345-0850</b>		
Street Address <b>317 W HOUGHTON AVE., PO BOX 159</b>		City <b>WEST BRANCH</b>	State <b>MI</b>	Zip <b>48661</b>
Authorizing CPA Signature 	Printed Name <b>TRINA BLOCK EDWARDS, CPA</b>		License Number <b>1101024346</b>	



Digitally signed by Stephenson, Grack and Co., P.C.  
DN: cn=Stephenson, Grack and Co., P.C., o=CGA  
Date: 2007.12.28 16:32:01 -0500



*Stephenson Gracik & Co., P.C.*

Certified Public Accountants & Consultants

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Herman A Bertuleit, CPA

CITY OF WEST BRANCH  
OGEMAW COUNTY, MICHIGAN

AUDITORS' REPORT  
YEAR ENDED JUNE 30, 2007

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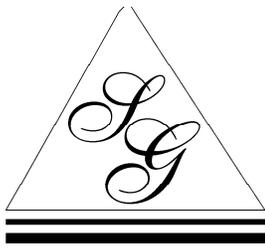
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October 26, 2007

Independent Auditors' Report

Members of the City Council  
City of West Branch  
Ogemaw County, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of West Branch, Ogemaw County, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the City of West Branch's basic financial statements, as listed in the index. These financial statements are the responsibility of the City 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Branch, Ogemaw County, Michigan, as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2007, on our consideration of the City of West Branch's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information 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 opinions on the financial statements that collectively comprise the City of West Branch's basic financial statements. The combining and individual nonmajor fund financial statements, individual fund schedules and schedule of indebtedness are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, individual fund schedules and schedule of indebtedness have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Stephenson, Gracik & Co., P.C.*



# City of West Branch

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of West Branch's (the City) financial performance provides an overview of the City's financial activities for the year ended June 30, 2007. The intent of this discussion and analysis is to look at the City's financial performance as a whole. The discussion focuses on the City's primary government.

### Financial Highlights

- The City's assets exceeded its liabilities by \$8,628,450 (*net assets*).
- The City's total net assets increased by \$325,142.
- The City's governmental funds reported combined ending fund balance of \$2,011,255 this year, a decrease of \$169,527. Of this amount, \$1,469,017 is available for spending (*unreserved fund balance*) on behalf of its citizens.

### Overview of the Financial Statements

The financial statements are organized so the reader can understand the City as a financial whole or as an entire operating entity. The statements also provide a detailed look at specific financial conditions.

The City's basic financial statements are comprised of three components: The government-wide financial statements, fund financial statements, and notes to financial statements. The report also contains other supplementary information in addition to the basic financial statements.

### Government-wide Financial Statements

The *statement of net assets* and the *statement of activities* display information about the City 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 the statements. The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues while business-type activities rely to a significant extent on fees and charges for services.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function.



"City with a Smile!"

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

With this report, capital assets are listed under the government-wide financial statements for the City of West Branch. These assets are comprised of infrastructure, buildings and improvements, furniture, fixtures, radios/electronic equipment, computer systems, vehicles and land owned by the City. These assets total over \$7 million.

### **Fund Financial Statements**

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

#### ***Governmental Funds:***

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

- General Fund – This fund is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.
- Major Streets Fund – This fund is used to account for the maintenance and construction of the City's major street system, including the receipt and expenditure of State motor fuel taxes which are earmarked by law (Act 51 PA 1951, as amended) for major street and highway purposes.
- Local Streets Fund – This fund is used to account for the maintenance and construction of the City's local street system, including the receipt and expenditure of State motor fuel taxes which are earmarked by law (Act 51 PA 1951, as amended) for local street and highway purposes.
- Senior Citizen's Housing Program – This fund is used to account for the operation of a senior housing facility within the City.
- Housing Fund – This fund accounts for federal, state and local financing used to rehabilitate low income housing for qualified City residents.
- Civic Fund – This fund is used to account for revenue set aside for public improvements.

***Proprietary Funds:***

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

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

- Sewer Fund – This fund is used to record the revenues and expenses for the operation of the sewer system.
- Water Fund – This fund is used to record the revenues and expenses for the operation of the water system.
- Water Replacement Fund – This fund is used to account for financial resources set aside for the maintenance and replacement of the City's water system.

Internal Service Fund – This fund is used to record the financing of services provided by one department or agency to other departments or agencies of the City, and to other governments on a cost reimbursement basis.

***Fiduciary Funds:***

Fiduciary fund reporting focuses on net assets and changes in net assets. The City's agency funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

**Notes to Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided on the City's *government-wide* and *fund* financial statements. Exhibit K provides an expansive and thorough view of various aspects of the audited financial statements.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents combining and individual fund statements and schedules.

## Government -Wide Financial Analysis

### Summary of Net Assets:

The following summarizes the net assets of the City of West Branch at June 30, 2007 and 2006:

### Net Assets Summary

	<b>Governmental Activities</b>	<b>Business -Type Activities</b>	<b>June 30, 2007</b>	<b>June 30, 2006</b>
Current Assets	\$ 2,750,134	\$ 1,221,155	\$ 3,971,289	\$ 4,004,057
Long-Term Mortgages Receivable	718,204	0	718,204	680,469
Capital Assets – net	4,784,023	271,001	5,055,024	4,968,452
<b>Total Assets</b>	<b>8,252,361</b>	<b>1,492,156</b>	<b>9,744,517</b>	<b>9,652,978</b>
Current Liabilities	146,322	30,142	176,464	138,088
Long-Term Liabilities	920,156	19,447	939,603	1,211,582
<b>Total Liabilities</b>	<b>1,066,478</b>	<b>49,589</b>	<b>1,116,067</b>	<b>1,349,670</b>
 <b>Net Assets</b>				
Investment in Capital Assets, Net of Related Debt	3,872,448	252,751	4,125,199	3,750,328
Restricted	542,238	0	542,238	527,724
Unrestricted	2,771,197	1,189,816	3,961,013	4,025,256
<b>Total Net Assets</b>	<b>\$ 7,185,883</b>	<b>\$ 1,442,567</b>	<b>\$ 8,628,450</b>	<b>\$ 8,303,308</b>

### Summary of Changes in Net Assets:

Following is an analysis of the changes in net assets for the years ended June 30, 2007 and 2006.

Generally speaking, the City's net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction, or improvement of those assets. The City of West Branch, through its governing body, i.e., the City Council, has taken a sensible approach regarding capital asset acquisition and amortization of the incurred debt. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws/regulations of other governments.

The City Council has prudently set aside funds to offset potential personnel and/or administrative liabilities. It is the City's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

	<u>Governmental Activities</u>	<u>Business -Type Activities</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>
<b>Program Revenues:</b>				
Charges for Services	\$ 526,565	\$ 656,502	\$ 1,183,067	\$ 1,160,855
Operating Grants and Contributions	419,609	0	419,609	238,454
Capital Grants and Contributions	<u>54,522</u>	<u>0</u>	<u>54,522</u>	<u>143,733</u>
<b>Total Program Revenues</b>	<u>1,000,696</u>	<u>656,502</u>	<u>1,657,198</u>	<u>1,543,042</u>
<b>General Revenues:</b>				
Property Taxes	1,057,467	0	1,057,467	1,003,279
State Revenue Sharing	336,737	0	336,737	363,137
Contributions From Local Units	0	0	0	100,000
Rent Income	7,920	0	7,920	8,580
Investment Earnings	129,531	54,350	183,881	165,876
Gain on Sale of Capital Assets	0	0	0	6,103
Other	<u>72,791</u>	<u>13,696</u>	<u>86,487</u>	<u>78,863</u>
<b>Total General Revenues</b>	<u>1,604,446</u>	<u>68,046</u>	<u>1,672,492</u>	<u>1,725,838</u>
<b>Total Revenues</b>	<u>2,605,142</u>	<u>724,548</u>	<u>3,329,690</u>	<u>3,268,880</u>
<b>Program Expenses:</b>				
General Government				
Legislative and Executive	80,792	0	80,792	71,567
Financial and Tax Administration	140,028	0	140,028	140,394
Other General Government	202,799	0	202,799	186,865
Public Safety	424,740	0	424,740	421,363
Public Works	593,094	0	593,094	556,069
Health and Welfare	23,432	0	23,432	18,766
Community and Economic Development	492,183	0	492,183	397,168
Recreation and Cultural	162,134	0	162,134	153,810
Other Expenses	1,300	0	1,300	1,300
Interest on Long-Term Debt	48,819	0	48,819	61,456
Sewer Services	0	416,787	416,787	453,018
Sewer Collection Replacement	0	150,622	150,622	4,937
Sewer Plant Replacement	0	98,842	98,842	3,144
Sewer Collection	0	60,934	60,934	0
Water Services	<u>0</u>	<u>108,042</u>	<u>108,042</u>	<u>96,740</u>
<b>Total Program Expenses</b>	<u>2,169,321</u>	<u>835,227</u>	<u>3,004,548</u>	<u>2,566,597</u>
<b>Excess Before Transfers</b>	435,821	(110,679)	325,142	702,283
<b>Transfers – Internal Activity</b>	<u>(10,400)</u>	<u>10,400</u>	<u>0</u>	<u>0</u>
<b>Change in Net Assets</b>	425,421	(100,279)	325,142	702,283
<b>Beginning Net Assets</b>	<u>6,760,462</u>	<u>1,542,846</u>	<u>8,303,308</u>	<u>7,601,025</u>
<b>Ending Net Assets</b>	<u>\$ 7,185,883</u>	<u>\$ 1,442,567</u>	<u>\$ 8,628,450</u>	<u>\$ 8,303,308</u>

## **Governmental Activities**

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

Total governmental activities reveal revenues of \$1,000,696 from *Charges for Services, Operating Grants and Contributions and Capital Grants and Contributions*. The *Charges for Services* are fees for services or facilities provided, primarily rental revenue from the Senior High-Rise, and loans to City residents for qualified housing rehabilitation. While revenue collected is substantial, operating expenses totaled \$2,169,321 for these same activities. The largest expenses were incurred by the Senior Citizens Housing Program, Police Department and Public Works Department.

## **Business-Type Activities**

The City of West Branch's *Business-Type activities* are limited to the Sewer Fund, Collection Replacement Fund, Plant Replacement Fund, Water Fund, Water Replacement Fund, and Sewer Collection Fund. These funds are used to maintain the City's Water and Sewer systems. The funds are supported primarily by user fees for water and sewer services.

## **Financial Analysis of City Funds**

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

### **Governmental Funds**

Governmental funds are those through which most governmental functions of the City are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds: 1) General Fund – accounts for all financial resources, except those required to be accounted for in another fund; 2) Major Streets Fund – accounts for the maintenance and construction of the City's major street system, including the receipt and expenditure of State motor fuel taxes which are earmarked by law (Act 51 PA 1951, as amended) for major street and highway purposes; 3) Local Streets Fund – accounts for the maintenance and construction of the City's local street system, including the receipt and expenditure of State motor fuel taxes which are earmarked by law (Act 51 PA 1951, as amended) for local street and highway purposes; 4) Senior Citizen's Housing Program Fund – accounts for the operation of a senior housing facility within the City; 5) Housing Fund – accounts for federal, state and local financing used to rehabilitate low income housing for qualified City residents; and 6) Civic Fund – accounts for revenue set aside for public improvements.

The other governmental funds of the City account for grants and other resources whose use is restricted for a particular purpose; the accumulation of resources for, and the payment of debt; and the acquisition or construction of major capital facilities.

This year's City audit shows 21 governmental funds. These funds are maintained by the City Treasurer as separate units in the General Ledger.

## **Enterprise Funds**

The City's enterprise funds provide the same type of information found in the government-wide financial statements. Commonly, departments such as the Sewer Fund, Collection Replacement Fund, Plant Replacement Fund, Sewer Collection Fund, Water Fund, Water Replacement Fund, and Internal Service Funds comprise these funds. The statements place such funds under the caption of *Propriety Funds* under the appropriate statements, i.e., *Statement of Net Assets*, *Statement of Cash Flows*, etc. More specific detail is seen in Exhibits G, H and I.

## **Budgetary Highlights**

The fiscal year ending June 30, 2007 was an interesting and financially solvent year for the City of West Branch. Both external and internal pressures forced the board, elected officials, department heads, and employees to work cohesively and in collaboration to mitigate potential problems.

The City began the year with a \$286,365 general fund balance. At year's end, that balance had increased to \$343,032, an increase of \$56,667. The General Fund actual revenue of \$1,484,040 versus budgeted revenue of \$1,303,022 netted a favorable variance of \$181,018. Actual expenditures of the General Fund were \$1,417,734 versus budgeted expenditures of \$1,289,022 showed an unfavorable variance of \$128,712. The revenue and expenditures variances were primarily due to not budgeting for library wage and other reimbursements of \$127,482. These were reported as charges for services revenue and recreation and cultural expenses in the General Fund. This was an audit adjustment in the current year, and will be budgeted for in subsequent years.

## **Capital Asset and Debt Administration**

### **Capital Assets**

Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at *historical cost* or *estimated historical cost* if purchased or constructed. Donated capital assets are recorded at estimated FMV (fair market value) at the date of donation.

The City's infrastructure consists of roads, bridges, dams, and water/sewer lines. Improvements are capitalized, i.e., depreciated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

Capital Assets – Governmental Activities beginning balance was \$6,719,037 with an ending balance of \$6,993,574. Governmental Activities Total Capital Assets – Net of Depreciation was \$4,784,023.

The most significant addition was the Frame Shop property (\$110,013) and sidewalk construction on Houghton Avenue (\$63,954). These projects were funded through, federal and state grants and DDA funds.

Capital Assets - Business Type Activities beginning balance was \$312,055 with an ending balance of \$335,107. Business-Type Activities Total Capital Assets – Net of Depreciation was \$271,001. Current year additions include \$15,159 for the purchase and installation of a remanufactured Hoffman Blower and \$7,893 for a new roof at the Wastewater Treatment Plant. An expanded and detailed presentation may be seen in Note 6 of the audit, notes to financial statements.

At June 30, 2007, four of the City's governmental fund balances were negative. This resulted primarily from not receiving grant funds, within 60 days of year-end of \$163,939 in the Housing Fund, and not meeting all grant requirements to accrue a grant receivable of \$110,013 in the DDA Fund. These funds are expected to be received in the fiscal year ending June 30, 2008.

### **Long-Term Debt**

The Long-Term debt of the City of West Branch, as noted on the financial statements contained herein, is comprised of debt related to direct business transactions by the City Council or business trade activity on the part of a local unit of government.

At year's end, long-term debt (due in more than one year) amounted to \$939,603. Such debt includes *Notes Payable*, *Bonds Payable*, *Contract Payable*, as well as *Compensated Absences*. That is, accumulated sick and vacation leave benefits of its employees.

### **Economic Factors**

The West Branch region has realized significant growth in the last ten years. However, developable property within the City of West Branch is limited resulting in a tax base that is not keeping up with increased operation and maintenance costs.

Lower investment earnings and tentative state and federal economies will provide future challenges .

City budgetary operations will continue to be stressed in the upcoming years, especially in the environment of declining state aid and stagnant tax revenues. These factors will cause the City to adopt a fiscally conservative budgetary approach for the upcoming years.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City Treasurer  
City of West Branch  
121 N. Fourth Street  
West Branch, MI 48661  
989-345-0500

CITY OF WEST BRANCH  
Ogemaw County, Michigan

STATEMENT OF NET ASSETS  
June 30, 2007

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents (Note 2)	\$ 1,741,429	\$ 959,367	\$ 2,700,796
Investments (Note 2)	825,567	0	825,567
Receivables:			
Accounts, net	27,313	159,325	186,638
State of Michigan	213,937	0	213,937
Due from local units	42,059	0	42,059
Due from fiduciary funds	2,292	0	2,292
Internal balances	(102,463)	102,463	0
Total current assets	<u>2,750,134</u>	<u>1,221,155</u>	<u>3,971,289</u>
Noncurrent assets:			
Long-term mortgages receivable (Note 1)	718,204	0	718,204
Capital assets, net (Note 6)	<u>4,784,023</u>	<u>271,001</u>	<u>5,055,024</u>
Total noncurrent assets	<u>5,502,227</u>	<u>271,001</u>	<u>5,773,228</u>
 Total Assets	 <u>8,252,361</u>	 <u>1,492,156</u>	 <u>9,744,517</u>
<u>Liabilities</u>			
Accounts payable	55,452	25,585	81,037
Accrued liabilities	20,672	0	20,672
Deposits payable	27,979	0	27,979
Accrued interest payable	32,897	0	32,897
Escrow account	0	4,557	4,557
Due to local units	9,322	0	9,322
Long-term liabilities:			
Due within one year (Note 7)	295,380	19,447	314,827
Due in more than one year (Note 7)	<u>624,776</u>	<u>0</u>	<u>624,776</u>
Total Liabilities	<u>1,066,478</u>	<u>49,589</u>	<u>1,116,067</u>
<u>Net Assets</u>			
Investment in capital assets, net of related debt	3,872,448	252,751	4,125,199
Restricted for:			
Debt service	123,250	0	123,250
Perpetual care	418,988	0	418,988
Unrestricted	<u>2,771,197</u>	<u>1,189,816</u>	<u>3,961,013</u>
 Total Net Assets	 <u>\$ 7,185,883</u>	 <u>\$ 1,442,567</u>	 <u>\$ 8,628,450</u>

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

CITY OF WEST BRANCH  
Ogemaw County, Michigan

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2007

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>							
Governmental activities:							
General government:							
Legislative and executive	\$ 80,792	\$ 0	\$ 0	\$ 0	\$ (80,792)	\$ 0	\$ (80,792)
Financial and tax administration	140,028	0	0	0	(140,028)	0	(140,028)
Other general government	202,799	166,671	542	0	(35,586)	0	(35,586)
Public safety:							
Police	389,524	27,746	7,951	2,505	(351,322)	0	(351,322)
Fire	27,082	4,535	0	0	(22,547)	0	(22,547)
Other public safety	8,134	0	0	0	(8,134)	0	(8,134)
Public works:							
Solid waste	126,255	0	0	0	(126,255)	0	(126,255)
Airport	18,332	0	0	0	(18,332)	0	(18,332)
Other public works	448,507	482	0	52,017	(396,008)	0	(396,008)
Health and welfare	23,432	16,960	0	0	(6,472)	0	(6,472)
Community and economic development	492,183	182,690	386,946	0	77,453	0	77,453
Recreation and cultural	162,134	127,481	24,170	0	(10,483)	0	(10,483)
Other expenses	1,300	0	0	0	(1,300)	0	(1,300)
Interest on long-term debt	48,819	0	0	0	(48,819)	0	(48,819)
Total governmental activities	<u>2,169,321</u>	<u>526,565</u>	<u>419,609</u>	<u>54,522</u>	<u>(1,168,625)</u>	<u>0</u>	<u>(1,168,625)</u>
Business-type activities:							
Sewer services	416,787	446,778	0	0	0	29,991	29,991
Sewer collection replacement	150,622	0	0	0	0	(150,622)	(150,622)
Sewer plant replacement	98,842	0	0	0	0	(98,842)	(98,842)
Sewer collection	60,934	63,702	0	0	0	2,768	2,768
Water services	108,042	146,022	0	0	0	37,980	37,980
Total business-type activities	<u>835,227</u>	<u>656,502</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(178,725)</u>	<u>(178,725)</u>
Total primary government	<u>\$ 3,004,548</u>	<u>\$ 1,183,067</u>	<u>\$ 419,609</u>	<u>\$ 54,522</u>	<u>(1,168,625)</u>	<u>(178,725)</u>	<u>(1,347,350)</u>
<b>General Revenues:</b>							
Property taxes levied for:							
General operating					756,072	0	756,072
Debt service					122,590	0	122,590
Refuse					178,805	0	178,805
State revenue sharing					336,737	0	336,737
Rent income					7,920	0	7,920
Investment earnings					129,531	54,350	183,881
Other					72,791	13,696	86,487
Transfers - internal activity					(10,400)	10,400	0
Total general revenues and transfers					<u>1,594,046</u>	<u>78,446</u>	<u>1,672,492</u>
Change in net assets					425,421	(100,279)	325,142
Net assets - beginning of year					<u>6,760,462</u>	<u>1,542,846</u>	<u>8,303,308</u>
Net assets - end of year					<u>\$ 7,185,883</u>	<u>\$ 1,442,567</u>	<u>\$ 8,628,450</u>

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

CITY OF WEST BRANCH  
Ogemaw County, Michigan

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2007

	General	Major Streets	Local Streets	Senior Citizen's Housing Program	Housing Fund	Civic Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>								
Cash and cash equivalents (Note 2)	\$ 299,693	\$ 307,066	\$ 244,118	\$ 63,540	\$ 0	\$ 3	\$ 531,104	\$ 1,445,524
Investments (Note 2)	0	0	0	0	0	496,360	329,207	825,567
Receivables:								
Accounts receivable, net	5,618	95	0	11,462	0	0	10,138	27,313
State of Michigan	25,544	17,877	6,577	0	163,939	0	0	213,937
Due from local units	42,059	0	0	0	0	0	0	42,059
Due from other funds (Note 4)	66,396	15,015	2,701	2,908	0	0	658	87,678
Long-term mortgages (Note 1)	0	0	0	0	718,204	0	0	718,204
<b>Total Assets</b>	<b>\$ 439,310</b>	<b>\$ 340,053</b>	<b>\$ 253,396</b>	<b>\$ 77,910</b>	<b>\$ 882,143</b>	<b>\$ 496,363</b>	<b>\$ 871,107</b>	<b>\$ 3,360,282</b>
<b>LIABILITIES AND FUND EQUITY</b>								
<b>Liabilities</b>								
Accounts payable	\$ 14,869	\$ 2,756	\$ 318	\$ 6,878	\$ 26,123	\$ 0	\$ 1,110	\$ 52,054
Accrued liabilities	20,672	0	0	0	0	0	0	20,672
Deposits payable	0	0	0	8,764	0	0	19,215	27,979
Due to local units	5,340	0	0	0	0	0	3,982	9,322
Due to other funds (Note 4)	22,647	1,663	1,957	82,672	91,541	14,675	101,906	317,061
Deferred revenue (Note 5)	32,750	0	0	0	882,143	0	7,046	921,939
<b>Total liabilities</b>	<b>96,278</b>	<b>4,419</b>	<b>2,275</b>	<b>98,314</b>	<b>999,807</b>	<b>14,675</b>	<b>133,259</b>	<b>1,349,027</b>
<b>Fund Equity</b>								
Fund balances (deficits):								
Reserved:								
For debt service	0	0	0	0	0	0	123,250	123,250
For perpetual care	0	0	0	0	0	0	418,988	418,988
Unreserved reported in:								
General Fund	343,032	0	0	0	0	0	0	343,032
Special Revenue Funds	0	335,634	251,121	(20,404)	(117,664)	481,688	195,610	1,125,985
<b>Total fund equity</b>	<b>343,032</b>	<b>335,634</b>	<b>251,121</b>	<b>(20,404)</b>	<b>(117,664)</b>	<b>481,688</b>	<b>737,848</b>	<b>2,011,255</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 439,310</b>	<b>\$ 340,053</b>	<b>\$ 253,396</b>	<b>\$ 77,910</b>	<b>\$ 882,143</b>	<b>\$ 496,363</b>	<b>\$ 871,107</b>	<b>\$ 3,360,282</b>

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

CITY OF WEST BRANCH  
Ogemaw County, Michigan

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
June 30, 2007

Total governmental fund balances		\$ 2,011,255
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. Capital assets at year end consist of:		
Capital asset cost	\$ 6,993,574	
Capital asset accumulated depreciation	<u>(2,209,551)</u>	4,784,023
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds:		
Accounts receivable	7,046	
Grants receivable	163,939	
Due from local units	32,750	
Long-term mortgages receivable	<u>718,204</u>	921,939
Accrued interest on long-term debt		(32,897)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:		
Bonds payable	(825,000)	
Notes payable	(24,776)	
Contract payable	(54,750)	
Compensated absences payable	<u>(15,630)</u>	
Total long-term liabilities		(920,156)
Some amounts reported for governmental activities in the statement of net assets are different because the internal service funds assets and liabilities are included with governmental activities.		
		<u>421,719</u>
Total net assets - governmental activities		<u>\$ 7,185,883</u>

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

CITY OF WEST BRANCH  
Ogemaw County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2007

	General	Major Streets	Local Streets	Senior Citizen's Housing Program	Housing Fund	Civic Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenue</b>								
Taxes	\$ 924,178	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 133,289	\$ 1,057,467
Federal grants	0	39,013	0	208,507	0	0	14,500	262,020
State grants and revenue	196,298	154,298	43,452	0	0	0	0	394,048
Contributions from local units	0	0	0	0	0	0	26,725	26,725
Charges for services	243,331	0	0	16,647	0	0	17,129	277,107
Fines and forfeits	16,231	0	0	0	0	0	0	16,231
Interest and rentals	33,498	11,605	8,758	159,844	595	27,704	52,247	294,251
Other revenue	70,504	307	175	5,655	13,120	0	1,951	91,712
Total revenue	<u>1,484,040</u>	<u>205,223</u>	<u>52,385</u>	<u>390,653</u>	<u>13,715</u>	<u>27,704</u>	<u>245,841</u>	<u>2,419,561</u>
<b>Expenditures</b>								
Current:								
Legislative and executive	99,205	0	0	0	0	0	0	99,205
Financial and tax administration	189,174	0	0	0	0	0	0	189,174
General government	185,391	0	0	0	0	0	37,292	222,683
Public safety	416,043	0	0	0	0	0	2,889	418,932
Public works	327,692	55,164	39,383	0	0	0	0	422,239
Health and welfare	0	0	0	0	0	0	23,432	23,432
Community and economic development	27,200	0	0	245,196	163,940	0	44,869	481,205
Recreation and cultural	159,438	0	0	0	0	0	0	159,438
Capital outlay	7,031	68,591	0	0	0	0	150,281	225,903
Debt service:								
Principal	5,000	0	0	0	0	0	262,500	267,500
Interest and fiscal charges	1,560	0	0	1,214	0	0	57,420	60,194
Total expenditures	<u>1,417,734</u>	<u>123,755</u>	<u>39,383</u>	<u>246,410</u>	<u>163,940</u>	<u>0</u>	<u>578,683</u>	<u>2,569,905</u>
Excess of revenue over (under) expenditures	<u>66,306</u>	<u>81,468</u>	<u>13,002</u>	<u>144,243</u>	<u>(150,225)</u>	<u>27,704</u>	<u>(332,842)</u>	<u>(150,344)</u>
Other Financing Sources (Uses):								
Operating transfers in	0	0	17,793	0	0	0	262,237	280,030
Operating transfers out	(9,639)	(17,793)	0	(164,647)	0	(76,558)	(30,576)	(299,213)
Total other financing sources (uses)	<u>(9,639)</u>	<u>(17,793)</u>	<u>17,793</u>	<u>(164,647)</u>	<u>0</u>	<u>(76,558)</u>	<u>231,661</u>	<u>(19,183)</u>
Excess of revenue and other sources over (under) expenditures and other uses	<u>56,667</u>	<u>63,675</u>	<u>30,795</u>	<u>(20,404)</u>	<u>(150,225)</u>	<u>(48,854)</u>	<u>(101,181)</u>	<u>(169,527)</u>
Fund balances - beginning of year	<u>286,365</u>	<u>271,959</u>	<u>220,326</u>	<u>0</u>	<u>32,561</u>	<u>530,542</u>	<u>839,029</u>	<u>2,180,782</u>
Fund balances (deficits) - end of year	<u>\$ 343,032</u>	<u>\$ 335,634</u>	<u>\$ 251,121</u>	<u>\$ (20,404)</u>	<u>\$ (117,664)</u>	<u>\$ 481,688</u>	<u>\$ 737,848</u>	<u>\$ 2,011,255</u>

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

CITY OF WEST BRANCH  
Ogemaw County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2007

Total net change in fund balances - governmental funds \$ (169,527)

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

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

Capital assets reported as capital outlays in the governmental funds	\$ 274,537	
Current year depreciation expense	<u>(202,451)</u>	
Net difference		72,086

Principal repayments on bonds, notes and contracts are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. The amount of repayments reported as expenditures in the governmental funds consist of:

Bonds payable	210,000	
Notes payable	5,000	
Contract payable	<u>52,500</u>	
Net difference		267,500

Receivables not currently available are reported as revenue when collected or when currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements:

Accounts receivable	7,046	
Grants receivable	163,939	
Due from local units	32,750	
Net change in long-term mortgages receivable	37,735	
State shared revenue	<u>(35,864)</u>	
		205,606

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Net change in accrued interest on long-term liabilities	8,515	
Net change in accrued compensated absences:		
Accrued compensated absences June 30, 2006	3,461	
Accrued compensated absences June 30, 2007	<u>(15,630)</u>	
Net change		(3,654)

Some amounts reported for governmental activities in the statement of net assets are different because the internal service funds revenue and expenses are included with governmental activities.

		<u>53,410</u>
Change in net assets of governmental activities	\$	<u>425,421</u>

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

CITY OF WEST BRANCH  
Ogemaw County, Michigan

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2007

	Enterprise Funds					Governmental
	Major Funds				Total	Activity
	Sewer Fund	Water Fund	Water Replacement Fund	Other Proprietary Funds		Internal Service Fund
<u>Assets</u>						
Current assets:						
Cash and cash equivalents (Note 2)	\$ 105,046	\$ 229,576	\$ 396,413	\$ 228,332	\$ 959,367	\$ 295,905
Receivables:						
Accounts receivable, net	109,639	33,132	0	16,554	159,325	0
Due from other funds (Note 4)	<u>0</u>	<u>0</u>	<u>162,261</u>	<u>0</u>	<u>162,261</u>	<u>129,212</u>
Total current assets	214,685	262,708	558,674	244,886	1,280,953	425,117
Noncurrent assets:						
Capital assets, net (Note 6)	<u>174,437</u>	<u>90,000</u>	<u>0</u>	<u>6,564</u>	<u>271,001</u>	<u>0</u>
Total Assets	<u>389,122</u>	<u>352,708</u>	<u>558,674</u>	<u>251,450</u>	<u>1,551,954</u>	<u>425,117</u>
<u>Liabilities</u>						
Current liabilities:						
Accounts payable	10,180	3,716	1,864	9,825	25,585	3,398
Escrow account	2,776	1,236	0	545	4,557	0
Due to other funds (Note 4)	37,417	0	0	22,381	59,798	0
Compensated absences - current (Note 7)	1,197	0	0	0	1,197	0
Contract payable - current (Note 7)	<u>0</u>	<u>18,250</u>	<u>0</u>	<u>0</u>	<u>18,250</u>	<u>0</u>
Total Liabilities	<u>51,570</u>	<u>23,202</u>	<u>1,864</u>	<u>32,751</u>	<u>109,387</u>	<u>3,398</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	174,437	71,750	0	6,564	252,751	0
Unrestricted	<u>163,115</u>	<u>257,756</u>	<u>556,810</u>	<u>212,135</u>	<u>1,189,816</u>	<u>421,719</u>
Total Net Assets	<u>\$ 337,552</u>	<u>\$ 329,506</u>	<u>\$ 556,810</u>	<u>\$ 218,699</u>	<u>\$ 1,442,567</u>	<u>\$ 421,719</u>

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

CITY OF WEST BRANCH  
Ogemaw County, Michigan

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2007

	Enterprise Funds				Total	Governmental
	Major Funds			Other Proprietary Funds		Activity
	Sewer Fund	Water Fund	Water Replacement Fund			Internal Service Fund
<b>Operating Revenue</b>						
Charges for services	\$ 446,778	\$ 137,072	\$ 0	\$ 63,702	\$ 647,552	\$ 0
Equipment rental	0	8,950	0	0	8,950	184,132
Miscellaneous	6,355	665	0	6,676	13,696	5,592
Total operating revenue	<u>453,133</u>	<u>146,687</u>	<u>0</u>	<u>70,378</u>	<u>670,198</u>	<u>189,724</u>
<b>Operating Expenses</b>						
Salaries and wages	105,755	29,057	0	17,108	151,920	11,113
Fringe benefits	57,895	2,966	0	1,566	62,427	901
Administration	37,800	12,000	0	27,000	76,800	11,000
Building and equipment maintenance	25,911	0	0	0	25,911	27,054
Contractual services	40,331	26,356	0	252,627	319,314	110
Equipment rental	8,369	9,290	0	12,494	30,153	0
Gas and oil	0	0	0	0	0	31,011
Insurance	15,426	0	0	0	15,426	17,498
Operating supplies and expenses	27,096	9,086	0	2,370	38,552	6,110
Professional development	38	0	0	0	38	0
Telephone	1,618	0	0	0	1,618	0
Utilities	91,680	11,145	0	188	103,013	0
Other	5,014	3,165	0	410	8,589	0
Capital outlay	0	0	0	0	0	48,634
Depreciation	2,292	6,000	0	274	8,566	0
Total operating expenses	<u>419,225</u>	<u>109,065</u>	<u>0</u>	<u>314,037</u>	<u>842,327</u>	<u>153,431</u>
Operating income (loss)	<u>33,908</u>	<u>37,622</u>	<u>0</u>	<u>(243,659)</u>	<u>(172,129)</u>	<u>36,293</u>
<b>Non-Operating Revenue (Expenses)</b>						
Interest income	5,182	10,121	23,034	16,013	54,350	17,117
Interest expense	0	(1,683)	0	0	(1,683)	0
Total non-operating revenue (expenses)	<u>5,182</u>	<u>8,438</u>	<u>23,034</u>	<u>16,013</u>	<u>52,667</u>	<u>17,117</u>
Income (loss) before operating transfers	<u>39,090</u>	<u>46,060</u>	<u>23,034</u>	<u>(227,646)</u>	<u>(119,462)</u>	<u>53,410</u>
Operating transfers in	0	19,183	50,000	11,083	80,266	0
Operating transfers out	(11,083)	(50,000)	0	0	(61,083)	0
Net operating transfers	<u>(11,083)</u>	<u>(30,817)</u>	<u>50,000</u>	<u>11,083</u>	<u>19,183</u>	<u>0</u>
Change in net assets	28,007	15,243	73,034	(216,563)	(100,279)	53,410
Net assets - beginning of year	<u>309,545</u>	<u>314,263</u>	<u>483,776</u>	<u>435,262</u>	<u>1,542,846</u>	<u>368,309</u>
Net assets - end of year	<u>\$ 337,552</u>	<u>\$ 329,506</u>	<u>\$ 556,810</u>	<u>\$ 218,699</u>	<u>\$ 1,442,567</u>	<u>\$ 421,719</u>

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

CITY OF WEST BRANCH  
Ogemaw County, Michigan

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2007

	Enterprise Funds					Governmental Activity Internal Service Fund
	Major Funds				Total	
	Sewer Fund	Water Fund	Water Replacement Fund	Other Proprietary Funds		
<b><u>Cash Flows From Operating Activities</u></b>						
Receipts from customers	\$ 459,915	\$ 137,765	\$ 0	\$ 47,148	\$ 644,828	\$ 0
Receipts from interfund services	0	0	0	0	0	184,132
Other operating revenue	6,355	9,615	0	6,676	22,646	5,614
Payments to suppliers for goods and services	(304,384)	(66,236)	0	(273,791)	(644,411)	(143,733)
Payments to employees for services	(104,903)	(29,057)	0	(17,108)	(151,068)	(11,113)
Payments for interfund services	(8,369)	(9,290)	0	(12,494)	(30,153)	0
Net cash provided (used) by operating activities	<u>48,614</u>	<u>42,797</u>	<u>0</u>	<u>(249,569)</u>	<u>(158,158)</u>	<u>34,900</u>
<b><u>Cash Flows From Noncapital Financing Activities</u></b>						
Operating subsidies and transfers from (to) other funds	<u>6,704</u>	<u>(11,980)</u>	<u>(112,261)</u>	<u>33,464</u>	<u>(84,073)</u>	<u>(82,765)</u>
<b><u>Cash Flows From Capital and Related Financing Activities</u></b>						
Acquisition and construction of capital assets	(23,052)	0	0	0	(23,052)	0
Principal paid on long-term debt	0	(17,500)	0	0	(17,500)	0
Interest paid on long-term debt	0	(1,683)	0	0	(1,683)	0
Net cash used by capital and related financing activities	<u>(23,052)</u>	<u>(19,183)</u>	<u>0</u>	<u>0</u>	<u>(42,235)</u>	<u>0</u>
<b><u>Cash Flows From Investing Activities</u></b>						
Cash received from interest	<u>5,182</u>	<u>10,121</u>	<u>23,034</u>	<u>16,013</u>	<u>54,350</u>	<u>17,117</u>
Net increase (decrease) in cash and cash equivalents	37,448	21,755	(89,227)	(200,092)	(230,116)	(30,748)
Cash and cash equivalents at beginning of year (Note 1)	<u>67,598</u>	<u>207,821</u>	<u>485,640</u>	<u>428,424</u>	<u>1,189,483</u>	<u>326,653</u>
Cash and cash equivalents at end of year (Note 1)	<u>\$ 105,046</u>	<u>\$ 229,576</u>	<u>\$ 396,413</u>	<u>\$ 228,332</u>	<u>\$ 959,367</u>	<u>\$ 295,905</u>
<b><u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</u></b>						
Operating income (loss)	\$ 33,908	\$ 37,622	\$ 0	\$ (243,659)	\$ (172,129)	\$ 36,293
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation expense	2,292	6,000	0	274	8,566	0
Change in assets and liabilities:						
Accounts receivable, net	13,137	693	0	(16,554)	(2,724)	22
Accounts and other payables	(723)	(1,518)	0	10,370	8,129	(1,415)
Net cash provided (used) by operating activities	<u>\$ 48,614</u>	<u>\$ 42,797</u>	<u>\$ 0</u>	<u>\$ (249,569)</u>	<u>\$ (158,158)</u>	<u>\$ 34,900</u>

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

CITY OF WEST BRANCH  
Ogemaw County, Michigan

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
June 30, 2007

	<u>Tax Collection</u>	<u>Payroll Clearing Fund</u>	<u>Senior Activity Account</u>	<u>Fort Austin</u>	<u>Irons Park Entertainment</u>	<u>Skate Park Fund</u>	<u>Animals For The Arts Fund</u>	<u>Total Fiduciary Funds</u>
<b><u>ASSETS</u></b>								
Cash equivalents (Note 2)	\$ 2,330	\$ 0	\$ 3,176	\$ 13,225	\$ 5,450	\$ 0	\$ 1,449	\$ 25,631
Accounts receivable	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,458</u>	<u>0</u>	<u>0</u>	<u>1,458</u>
Total Assets	<u>\$ 2,330</u>	<u>\$ 0</u>	<u>\$ 3,176</u>	<u>\$ 13,225</u>	<u>\$ 6,909</u>	<u>\$ 0</u>	<u>\$ 1,449</u>	<u>\$ 27,089</u>
<b><u>LIABILITIES</u></b>								
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 196	\$ 0	\$ 0	\$ 196
Due to local units	38	0	0	0	0	0	0	38
Due to other agencies and individuals	0	0	3,176	13,225	6,713	0	1,449	24,563
Undistributed fund balance (Notes 4)	<u>2,292</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,292</u>
Total Liabilities	<u>\$ 2,330</u>	<u>\$ 0</u>	<u>\$ 3,176</u>	<u>\$ 13,225</u>	<u>\$ 6,909</u>	<u>\$ 0</u>	<u>\$ 1,449</u>	<u>\$ 27,089</u>

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

CITY OF WEST BRANCH  
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of West Branch conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. Private-sector standards of accounting issued after November 30, 1989, are generally followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies.

A. Description of City Operations and Fund Types

The City of West Branch is governed by an elected council with a City Manager overseeing daily operations. The City provides various services to its residents such as law enforcement, fire protection, community enrichment and human services.

B. Reporting Entity

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

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

While the following organizations had positive responses to some of the above criteria, each is excluded from the accompanying financial statements for the reasons specified:

- West Branch Regional Medical Center – The City Council appoints the governing board, but the hospital is otherwise independently operated and financed.
- West Branch Community Airport – The airport is a joint venture between Ogemaw County and the City. A separate board is appointed and the airport is operated independent of the County and City.
- Ogemaw Fire Board – The fire board is a joint venture with five other local units. The City appoints one of the six board members, but the fire board is otherwise operated independent of the City.
- West Branch Public Library – The City prepares all the bookkeeping and provides all the employees of the Library. However, the City has only one voting representative on the five member District Library Board.
- Ogemaw County Emergency Medical Services Authority – The EMS Authority Board is a joint venture with 16 other governmental units. The City appoints one of the five board members, but the EMS Authority Board is otherwise operated independent of the City.

CITY OF WEST BRANCH  
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Joint Ventures

Ogemaw Fire Department Joint Venture:

The City of West Branch is one member of the Ogemaw Fire Department which serves six governmental units. The City contributes a pro-rata share of the budget of the Ogemaw Fire Department calculated based on the state equalized value (SEV) of the participating municipalities, as provided in the by-laws of the Ogemaw Fire Department. The City's contribution to the Ogemaw Fire Department for the year ending June 30, 2007 was \$21,559.

Upon dissolution of the Ogemaw Fire Department, all funds, special funds, equipment, land, buildings and assets belonging to the Department shall remain with any two or more of the original municipalities that agreed to continue under the terms of the contract on the effective date of the dissolution of the Department. The Ogemaw Fire Department had assets of \$51,055 at December 31, 2006.

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

Ogemaw County Emergency Medical Services Joint Venture:

The Ogemaw County Emergency Medical Services Authority, (the Authority), is a joint area Board formed on July 1, 2006, serving 17 governmental units – Ogemaw County, City of West Branch, City of Rose City, Mills Township, Richland Township, Rose Township, West Branch Township, Churchill Township, Cummings Township, Horton Township, Edwards Township, Foster Township, Klacking Township, Goodar Township, Hill Township, Logan Township and Ogemaw Township.

The Board consists of five members including an executive from Ogemaw County, City of West Branch, City of Rose City and Mills Township, and one member selected in rotation from the 13 Townships not otherwise represented on the Board. The members of the Board are appointed by their respective municipality for terms of six years.

If one of the incorporating municipalities withdraws, the fair market value of the assets will be determined. The withdrawing municipality will receive their respective share of the asset proceeds based on the average special assessments, general fund contribution and Authority millage revenue raised from the geographic area of the withdrawing incorporating municipality over the past ten fiscal years. If two or more incorporating municipalities withdraw, the Authority is dissolved, and all property owned by the Authority shall be disposed of in any manner in which all of the incorporating municipalities can agree. The Ogemaw County Emergency Medical Services Authority had assets of \$1,202,101 at September 30, 2006.

Financial statements may be obtained from the Ogemaw County Emergency Medical Services Authority, 1383 Airport Road, West Branch 48661.

D. Basis of Presentation

The City's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

CITY OF WEST BRANCH  
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation (Continued)

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the City 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 the statements. The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues while business-type activities rely to a significant extent on fees and charges for support.

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

**Fund Financial Statements**

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

E. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

CITY OF WEST BRANCH  
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Continued)

**Governmental Funds**

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

General Fund – This fund is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

Major Streets Fund – This fund is used to account for the maintenance and construction of the City's major street system, including the receipt and expenditure of State motor fuel taxes which are earmarked by law (Act 51 PA 1951, as amended) for major street and highway purposes.

Local Streets Fund – This fund is used to account for the maintenance and construction of the City's local street system, including the receipt and expenditure of State motor fuel taxes which are earmarked by law (Act 51 PA 1951, as amended) for local street and highway purposes.

Senior Citizen's Housing Program Fund – This fund is used to account for the operation of a senior housing facility within the City.

Housing Fund – This fund accounts for federal, state and local financing used to rehabilitate low income housing for qualified City residents.

Civic Fund – This fund is used to account for revenue set aside for public improvements.

The other governmental funds of the City account for grants and other resources whose use is restricted for a particular purpose; the accumulation of resources for, and the payment of debt; and the acquisition or construction of major capital facilities.

**Proprietary Funds**

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

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

Sewer Fund – This fund is used to record the revenues and expenses for the operation of the sewer system.

Water Fund – This fund is used to record the revenues and expenses for the operation of the water system.

CITY OF WEST BRANCH  
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Continued)

Water Replacement Fund – This fund is used to account for financial resources set aside for the maintenance and replacement of the City’s water system.

Internal Service Fund - This fund is used to record the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments on a cost reimbursement basis.

**Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The City’s agency funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

F. Measurement Focus

**Government-Wide Financial Statements**

The government-wide financial statements are prepared using a flow of economic resources measurement focus.

All assets and all liabilities associated with the operation of the City are included on the statement of net assets.

**Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenue, expenditures, and changes in fund balance reflects the sources (i.e., revenues and other financial sources) and uses (i.e., expenditures and other financial uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of revenue, expenses, and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows reflects how the City finances and meets the cash flow needs of its enterprise activities.

CITY OF WEST BRANCH  
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide and enterprise fund financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; proprietary funds and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**Revenues – Exchange and Nonexchange Transactions**

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recognized in the year in which the resources are measurable and become available. Available means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within sixty days after year end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, sales taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from sales taxes is recognized in the period in which the sales are made. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: sales taxes, charges for services, fines and forfeitures, state-levied locally shared taxes (including sales tax), grants, interest, and rent.

**Deferred Revenues**

Deferred revenues arise when assets are recognized before the revenue recognition criteria have been satisfied.

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

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

CITY OF WEST BRANCH  
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Basis of Accounting (Continued)

**Expenses/Expenditures**

On the accrual basis, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

H. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The City does not maintain a formalized encumbrance accounting system.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council prior to June 1 a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenue, expenditures and changes in fund balances – budget and actual – general and special revenue funds.
2. Public hearings are conducted at the governmental center to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by City Council resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Any expenditures in violation of the budgeting act are disclosed as unfavorable variances on the statement of revenue, expenditures and changes in fund balances – budget and actual for the general and each major special revenue fund.
4. The City Manager is authorized to transfer budget amounts between major expenditure functions within any fund. However, these transfers and any revisions that alter the total expenditures of any fund must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year.

CITY OF WEST BRANCH  
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Cash and Cash Equivalents

For presentation on the financial statements, investments in cash management pools and investments with an original maturity of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Investments are reported at fair value. Repurchase agreements and certificates of deposit, which are reported at cost, approximate fair value. Fair value is based on quoted market prices. Mutual funds are reported at current share price.

J. Accounts Receivables

Receivables at June 30, 2007, consist of accounts (fees), sales taxes, shared revenues, property taxes, mortgage receivable, special assessments and intergovernmental grants and interest. All receivables are net of estimated uncollectible accounts. Receivables are recognized to the extent the amounts are determined material and substantiated, not only by supporting documentation but also by a reasonable systematic method of determining their existence, completeness, valuation, and collectibility.

The allowance for doubtful accounts at June 30, 2007 was \$0 for the primary government.

K. Interfund Receivables and Payables

On the fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables". Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net assets. The only interfund balances which remain on the government-wide statement of net assets are those between governmental and business-type activities. These amounts are reflected as "Internal Balances".

L. Inventory

Inventory is expensed when purchased. Inventory consists of expendable supplies held for consumption.

M. Long-Term Mortgages

Long-term mortgages represent amounts due from individuals for housing loans and grants received, and are reported at their gross value.

N. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column of the government-wide statement of net assets and in the respective funds.

CITY OF WEST BRANCH  
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Capital Assets (Continued)

Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The City's infrastructure consists of roads, bridges, dams, and water and sewer lines. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Water and Sewer Lines	50 years
Dams	50 years
Radio Towers	10 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

O. Compensated Absences

Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made based on accumulated sick leave and wage rates at year-end, taking into consideration limits specified in the City's termination policy. Employees are compensated for unused sick days in excess of sixty (60) days, at the rate of \$15 per day on December 1 each year.

The entire compensated absences liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "accrued compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For enterprise funds, the entire amount of compensated absences is reported as a fund liability.

P. Accrued Liabilities and Long-Term Obligations

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

CITY OF WEST BRANCH  
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Net Assets

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

R. Governmental Fund Balance Reserves

The City reserves those portions of governmental fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. The purpose of the reserve is to provide a cash reserve for major emergency replacements and/or repairs to facilities or equipment, future debt service and perpetual care expenses.

S. Operating Revenues and Expenses

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

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the current year.

U. Use of Estimates

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

CITY OF WEST BRANCH  
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2007

NOTE 2 - DEPOSITS AND INVESTMENTS

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and Cash Equivalents	\$ 1,741,429	\$ 959,367	\$ 25,631	\$ 2,726,427
Investments	<u>825,567</u>	<u>0</u>	<u>0</u>	<u>825,567</u>
	<u>\$ 2,566,996</u>	<u>\$ 959,367</u>	<u>\$ 25,631</u>	<u>\$ 3,551,994</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 3,425,669
Investments in Municipal Investment Account Pooled Funds	126,000
Petty Cash and Cash on Hand	<u>325</u>
Total	<u>\$ 3,551,994</u>

As of June 30, 2007, the City had the following investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Specific Identification Maturities</u>
Investment Pools	<u>\$ 126,000</u>	Daily

Interest Rate Risk

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to change in market interest rates, by: structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity; and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the City's known cash requirements.

Credit Risk

State law authorizes investments in investment pools as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a local governmental unit in Michigan. The City's investment pools are unrated.

Concentration of Credit Risk

The City will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

CITY OF WEST BRANCH  
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2007

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2007, \$2,935,172 of the City's bank balance of \$3,435,172 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City will minimize custodial credit risk, by; limiting investments to the types of securities approved in the City's investment policy which is in accordance with State Law, and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the City will do business in accordance with the investment policy.

At year end, none of the City's investments were subject to custodial credit risk as they were uninsured and unregistered with securities held by the counterparty's trust department or agent in the City's name.

Foreign Currency Risk

The City's investment policy does not address foreign currency risk.

Investments:

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

- \* Accounts of federally insured banks, credit unions and savings and loan associations
- \* Bonds and other direct obligations of the United States or an agency or instrumentality of the United States
- \* United States government or federal agency obligation repurchase agreements
- \* Banker's acceptances of United States banks
- \* Commercial paper rated within the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase and which involve no more than 50 percent of any one fund
- \* Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation

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

CITY OF WEST BRANCH  
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2007

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

The classification of cash and cash equivalents and investments on the balance sheet/statement of net assets is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$ 2,726,427	\$ 825,567
Petty cash	(325)	0
Certificate of deposit maturing in greater than 90 days	825,567	(825,567)
Municipal investment account pooled funds	<u>(126,000)</u>	<u>126,000</u>
GASB Statement No. 3	<u>\$ 3,425,669</u>	<u>\$ 126,000</u>

NOTE 3 - PROPERTY TAXES

Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on August 31 with the final collection date of February 28 before they are added to the County tax rolls. The City receives payment for these taxes from the County after final settlement of the tax rolls. The delinquent personal property taxes are not purchased by the County.

For the current year, the taxable value for properties located within the City was \$61,699,608. The tax rates were 11.39 mills for operations, 2.9 mills for garbage collection, 1.67 mills for street improvement debt, and .39 mills for senior center.

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables as of June 30, 2007 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Governmental Funds:		
General Fund	\$ 66,396	\$ 22,647
Major Streets Fund	15,015	1,663
Local Streets Fund	2,701	1,957
Senior Citizen's Housing Program Fund	2,908	82,672
Housing Fund	0	91,541
Civic Fund	<u>0</u>	<u>14,675</u>
Total Major Governmental Funds	87,020	215,155
Non-major Governmental Funds	<u>658</u>	<u>101,906</u>
Total Governmental Funds	<u>87,678</u>	<u>317,061</u>
Internal Service Fund	<u>129,212</u>	<u>0</u>

CITY OF WEST BRANCH  
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2007

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Enterprise Funds:		
Sewer Fund	\$ 0	\$ 37,417
Water Replacement Fund	<u>162,261</u>	<u>0</u>
Total Major Enterprise Funds	162,261	37,417
Non-major Enterprise Funds	<u>0</u>	<u>22,381</u>
Total Enterprise Funds	<u>162,261</u>	<u>59,798</u>
 Fiduciary Funds	 <u>0</u>	 <u>2,292</u>
	 <u>\$ 379,151</u>	 <u>\$ 379,151</u>

The amounts of interfund receivables and payables for individual funds as of June 30, 2007 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
<u>Primary Government</u>		<u>Primary Government</u>	
General Fund	\$ 50,000	Senior Citizens Housing Program Fund	\$ 50,000
General Fund	14,675	Civic Fund	14,675
General Fund	84	Street Improvement Debt Service Fund	84
General Fund	1,637	Tax Collection Fund	1,637
Major Streets Fund	15,015	General Fund	15,015
Local Streets Fund	2,701	General Fund	2,701
Senior Citizen's Housing Program Fund	2,908	Housing Fund	2,908
Street Improvement Debt Service fund	4	Tax Collection Fund	4
Senior Center Debt Service Fund	3	General Fund	3
Senior Center Debt Service Fund	651	Tax Collection Fund	651
Internal Service Fund	1,663	Major Streets Fund	1,663
Internal Service Fund	1,957	Local Streets Fund	1,957
Internal Service Fund	27,572	Senior Citizens Housing Program Fund	27,572
Internal Service Fund	98,020	DDA Fund	98,020
Water Replacement Fund	4,928	General Fund	4,928
Water Replacement Fund	5,100	Senior Citizens Housing Program Fund	5,100
Water Replacement Fund	88,633	Housing Fund	88,633
Water Replacement Fund	3,802	Senior Center Fund	3,802
Water Replacement Fund	37,417	Sewer Fund	37,417
Water Replacement Fund	<u>22,381</u>	Plant Replacement Fund	<u>22,381</u>
Total	<u>\$ 379,151</u>	Total	<u>\$ 379,151</u>

The interfund receivable and payable between the Internal Service Fund and the Senior Citizens Housing Program Fund will not be repaid within one year. The loan will be repaid in monthly installments of \$1,191 over three years, including interest of 3.5%.

CITY OF WEST BRANCH  
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2007

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

The current and long-term portions are as follows:

Current	\$	13,545
Long-Term		<u>14,027</u>
	\$	<u>27,572</u>

NOTE 5 - DEFERRED REVENUE

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

	<u>Unavailable</u>
Demolition Reimbursement	\$ 7,046
Grant Revenue Receivable	163,939
Library Wage Revenue	32,750
Mortgages Receivable	<u>718,204</u>
Total	<u>\$ 921,939</u>

NOTE 6 - CAPITAL ASSETS

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated :				
Land	\$ 862,034	\$ 111,044	\$ 0	\$ 973,078
Construction in Progress	<u>0</u>	<u>3,000</u>	<u>0</u>	<u>3,000</u>
Subtotal	<u>862,034</u>	<u>114,044</u>	<u>0</u>	<u>976,078</u>
Capital Assets Being Depreciated :				
Buildings	3,109,456	0	0	3,109,456
Improvements Other Than Buildings	429,508	40,268	0	469,776
Machinery and Equipment	482,765	31,152	0	513,917
Vehicles	208,463	23,482	0	231,945
Infrastructure	<u>1,626,811</u>	<u>65,591</u>	<u>0</u>	<u>1,692,402</u>
Subtotal	<u>5,857,003</u>	<u>160,493</u>	<u>0</u>	<u>6,017,496</u>

CITY OF WEST BRANCH  
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2007

NOTE 6 - CAPITAL ASSETS (CONTINUED)

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less Accumulated Depreciation for:				
Buildings	\$ 1,113,793	\$ 73,986	\$ 0	\$ 1,187,779
Improvements Other Than Buildings	167,117	17,071	0	184,188
Machinery and Equipment	168,311	45,135	0	213,446
Vehicles	166,790	16,666	0	183,456
Infrastructure	<u>391,089</u>	<u>49,593</u>	<u>0</u>	<u>440,682</u>
Subtotal	<u>2,007,100</u>	<u>202,451</u>	<u>0</u>	<u>2,209,551</u>
Net Capital Assets Being Depreciated	<u>3,849,903</u>	<u>(41,958)</u>	<u>0</u>	<u>3,807,945</u>
Governmental Activities Total Capital Assets—Net of Depreciation	<u>\$ 4,711,937</u>	<u>\$ 72,086</u>	<u>\$ 0</u>	<u>\$ 4,784,023</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Business-Type</u>				
Capital Assets Being Depreciated :				
Buildings and Improvements	\$ 0	\$ 7,893	\$ 0	\$ 7,893
Infrastructure	<u>312,055</u>	<u>15,159</u>	<u>0</u>	<u>327,214</u>
Subtotal	<u>312,055</u>	<u>23,052</u>	<u>0</u>	<u>335,107</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	0	33	0	33
Infrastructure	<u>55,540</u>	<u>8,533</u>	<u>0</u>	<u>64,073</u>
Subtotal	<u>55,540</u>	<u>8,566</u>	<u>0</u>	<u>64,106</u>
Business-Type Activities Total Capital Assets—Net of Depreciation	<u>\$ 256,515</u>	<u>\$ 14,486</u>	<u>\$ 0</u>	<u>\$ 271,001</u>
Depreciation expense was charged to programs of the primary government as follows:				
Governmental Activities				
General government:				
Other general government		\$ 33,000		
Public safety:				
Police		8,742		
Public works:				
Other public works		92,444		
Community and economic development		63,265		
Recreation and cultural		<u>5,000</u>		
Total Governmental Activities		<u>\$ 202,451</u>		
Business-Type Activities				
Sewer		\$ 2,292		
Sewer plant replacement		274		
Water		<u>6,000</u>		
Total Business-Type Activities		<u>\$ 8,566</u>		

CITY OF WEST BRANCH  
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2007

NOTE 7 - LONG-TERM DEBT

At June 30, 2007, long-term debt consists of the following individual issues:

	<u>Governmental</u>	<u>Business-Type</u>
<b>A. <u>Bonds Payable</u></b>		
1994 West Branch Housing General Obligation Refunding Bonds in the amount of \$1,650,000 due in annual installments of \$95,000 to \$110,000 through 2009; interest at 5.5% to 6.0%. Payments are made from the High Rise Debt Refunding Fund.	\$ 305,000	\$ 0
1996 Unlimited Tax General Obligation Bonds in the amount of \$820,000 due in annual installments of \$70,000 to \$95,000 through October 1, 2010; interest at 5.00% to 6.50%, used for street improvements. Payments are made from the Street Improvement Debt Service Fund.	350,000	0
1997 Unlimited Tax General Obligation Bonds in the amount of \$350,000 due in annual installments of \$30,000 to \$40,000 through September 1, 2011; interest at 4.7% - 6.875%, used to construct a senior center. Payments are made from the Senior Center Debt Service Fund.	<u>170,000</u>	<u>0</u>
	<u>825,000</u>	<u>0</u>
<b>B. <u>Notes Payable</u></b>		
2000 – Little League Ball Field Lighting Contract in the amount of \$64,786 due in annual installments of \$5,000 to \$9,776 through August 31, 2010; interest at 5.19%. Payments are made from the General Fund.	<u>24,776</u>	<u>0</u>
<b>C. <u>Contract Payable</u></b>		
1998 – Improvement Debt Municipal Purchase Contract in the amount of \$600,000 due in annual installments of \$73,000 through May 1, 2008; interest at 4.75%. Payments are made from the 1998 Improvement Debt Service Fund.	<u>54,750</u>	<u>18,250</u>
<b>Total</b>	<b><u>\$ 904,526</u></b>	<b><u>\$ 18,250</u></b>

**D. Compensated Absences**

The City has an accrued liability for accumulated sick and vacation leave benefits of its employees. As of June 30, 2007, the accumulated vested sick and vacation leave benefits of the employees of various City departments were as follows:

	<u>Current Liability 6/30/07</u>	<u>Long-Term Liability 6/30/07</u>	<u>Total Balance 6/30/07</u>
<u>Accrued Employee Benefits Payable</u>			
<u>Primary Government</u>			
Governmental Activities	\$ 15,630	\$ 0	\$ 15,630
Business-Type Activities	<u>1,197</u>	<u>0</u>	<u>1,197</u>
<b>Total</b>	<b><u>\$ 16,827</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 16,827</u></b>

CITY OF WEST BRANCH  
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2007

NOTE 7 - LONG-TERM DEBT (CONTINUED)

E. Changes in Long-Term Liabilities

	<u>Balance July 1, 2006</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Balance June 30, 2007</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>					
Bonds payable	\$ 1,035,000	\$ 0	\$ 210,000	\$ 825,000	\$ 220,000
Notes payable	29,776	0	5,000	24,776	5,000
Contract payable	107,250	0	52,500	54,750	54,750
Accrued employee benefits payable	<u>3,461</u>	<u>0</u>	<u>12,169*</u>	<u>15,630</u>	<u>15,630</u>
Total	<u>\$ 1,175,487</u>	<u>\$ 0</u>	<u>\$ 279,669</u>	<u>\$ 920,156</u>	<u>\$ 295,380</u>
<u>Business-Type Activities</u>					
Contract payable	\$ 35,750	\$ 0	\$ 17,500	\$ 18,250	\$ 18,250
Accrued employee benefits payable	<u>345</u>	<u>852*</u>	<u>0</u>	<u>1,197</u>	<u>1,197</u>
Total	<u>\$ 36,095</u>	<u>\$ 852</u>	<u>\$ 17,500</u>	<u>\$ 19,447</u>	<u>\$ 19,447</u>

The interest paid on long-term obligations for the year were \$70,392.

\*Represents net of additions and retirements for the year.

The annual aggregate maturities for all debt outstanding (excluding compensated absences) as of June 30, 2007 are as follows:

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
<b><u>Bonds Payable</u></b>					
2008	\$ 220,000	\$ 39,425	\$ 0	\$ 0	\$ 259,425
2009	215,000	27,490	0	0	242,490
2010	215,000	15,520	0	0	230,520
2011	135,000	5,845	0	0	140,845
2012	<u>40,000</u>	<u>1,100</u>	<u>0</u>	<u>0</u>	<u>41,100</u>
	<u>\$ 825,000</u>	<u>\$ 89,380</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 914,380</u>
<b><u>Notes Payable</u></b>					
2008	\$ 5,000	\$ 1,286	\$ 0	\$ 0	\$ 6,286
2009	5,000	1,026	0	0	6,026
2010	5,000	767	0	0	5,767
2011	<u>9,776</u>	<u>507</u>	<u>0</u>	<u>0</u>	<u>10,283</u>
	<u>\$ 24,776</u>	<u>\$ 3,586</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 28,362</u>

CITY OF WEST BRANCH  
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2007

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Contracts Payable

2008	<u>\$ 54,750</u>	<u>\$ 2,600</u>	<u>\$ 18,250</u>	<u>\$ 867</u>	<u>\$ 76,467</u>
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NOTE 8 - FUND BALANCE (DEFICIT)

Deficit unreserved fund balances of \$20,404 in the Senior Citizen's Housing Program Fund, \$117,664, in the Housing Fund, \$98,213 in the DDA Fund, and \$4,686 in the Senior Center Fund existed at June 30, 2007.

NOTE 9 - OPERATING TRANSFERS

During the year ended June 30, 2007, the following transfers were made:

<u>Description</u>	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
<u>Major Funds</u>		
Major Governmental Funds:		
General Fund	\$ 0	\$ 9,639
Major Streets Fund	0	17,793
Local Streets Fund	17,793	0
Senior Citizen's Housing Program Fund	0	164,647
Civic Fund	<u>0</u>	<u>76,558</u>
Total Major Governmental Funds	<u>17,793</u>	<u>268,637</u>
Nonmajor Governmental Funds	<u>262,237</u>	<u>30,576</u>
Major Business -Type Activity Funds:		
Sewer Fund	0	11,083
Water Fund	19,183	50,000
Water Replacement Fund	<u>50,000</u>	<u>0</u>
Total Major Business -Type Activity Funds	<u>69,183</u>	<u>61,083</u>
Nonmajor Business -Type Activity Funds	<u>11,083</u>	<u>0</u>
	<u>\$ 360,296</u>	<u>\$ 360,296</u>

During the year ended June 30, 2007, the following individual fund transfers were made:

<u>Fund</u>	<u>Operating Transfers In</u>	<u>Fund</u>	<u>Operating Transfers Out</u>
Local Streets Fund	\$ 17,793	Major Streets Fund	\$ 17,793
Cemetery Fund	30,576	Cemetery Perpetual Care Fund	30,576
Housing Replacement Fund	27,985	Senior Citizen's Housing Program Fund	27,985
Economic Advancement Fund	9,639	General Fund	9,639
1998 Improvement Debt Service Fund	57,375	Civic Fund	57,375
High Rise Debt Refunding Fund	136,662	Senior Citizen's Housing Program Fund	136,662
Water Fund	19,183	Civic Fund	19,183
Water Replacement Fund	50,000	Water Fund	50,000
Sewer Collection Fund	<u>11,083</u>	Sewer Fund	<u>11,083</u>
Total	<u>\$ 360,296</u>		<u>\$ 360,296</u>

CITY OF WEST BRANCH  
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2007

NOTE 9 - OPERATING TRANSFERS (CONTINUED)

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

NOTE 10 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the City for these budgetary funds were adopted to the activity level.

During the year ended June 30, 2007, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

<u>Fund/Function</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund/Financial and Tax Administration	\$ 184,775	\$ 189,174	\$ 4,399
General Fund/Public Safety	\$ 411,638	\$ 416,043	\$ 4,405
General Fund/Public Works	\$ 304,197	\$ 327,692	\$ 23,495
General Fund/Recreation and Cultural	\$ 42,662	\$ 159,438	\$ 116,776
General Fund/Capital Outlay	\$ 4,750	\$ 7,031	\$ 2,281
Major Streets Fund/Public Works	\$ 110,441	\$ 123,755	\$ 13,314
Senior Citizen's Housing Program Fund/Community and Economic Development	\$ 238,656	\$ 245,196	\$ 6,540
Senior Citizen's Housing Program Fund/Interest and Fiscal Charges	\$ 0	\$ 1,214	\$ 1,214
Senior Citizen's Housing Program Fund/Operating Transfers Out	\$ 136,758	\$ 164,647	\$ 27,889
Housing Fund/Community and Economic Development	\$ 63,648	\$ 163,940	\$ 100,292

NOTE 11 - RETIREMENT SYSTEM - MERS OPERATED

Plan Description

The City's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The plan is affiliated with the Municipal Employees Retirement System (MERS) of Michigan, an agent multiple-employer, state-wide, public employee pension created under Public Act 135 of 1945, and now operating under Public Act 220 of 1996, and the MERS Plan Document as revised. Any municipality within the State may elect to become a participating member of MERS or elect to terminate participation by a majority vote of the municipality's governing body. Changes in benefit coverage are available to bargaining units after approval by a majority of the municipality's governing body. The MERS of Michigan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to MERS of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling 1-800-767-6377.

CITY OF WEST BRANCH  
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2007

NOTE 11 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

Funding Policy

The City is required to contribute at an actuarially determined rate. The current rate is 11.08% of annual covered payroll for General Members, and 11.06% of annual covered payroll for police and fire employees. The contribution requirements of plan members are 5% for General Members and police and fire employees. If a member leaves the employ of the City, or dies, without a retirement allowance or other benefit payable on his account, the member's accumulated contributions (with interest) are refunded to the member, if living, or to the members' surviving spouse or beneficiary. The contribution requirements are established and may be amended by the MERS Retirement Board.

Annual Pension Cost

For the year ending June 30, 2007, the City's annual pension cost of \$88,707 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, (b) projected salary increases of 4.5% per year compounded annually, and (c) additional projected salary increases of 0% to 8.4% per year, depending on age, attributable to merit and longevity. Both (a) and (b) include an inflation component. The City's unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a period of 29 years.

The City has adopted GASB 27 *Accounting for Pensions by State and Local Governmental Employer*. The following pension information is presented in accordance with GASB 27:

Actuarial Accrued Liability from December 31, 2006

Actuarial Valuation

Retirees and beneficiaries currently receiving benefits	\$ 890,069
Terminated employees not yet receiving benefits	158,075
Current employees:	
Accumulated employee contributions including allocated investment income	511,725
Employer financed	<u>1,737,780</u>
Total Actuarial Accrued Liability	3,297,649
Net assets available for benefits at actuarial value (Market value is \$2,710,896)	<u>2,673,496</u>
Unfunded Actuarial Accrued Liability	<u>\$ 624,153</u>

Trend Information

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
June 30, 2005	\$ 78,947	100%	\$ 0
June 30, 2006	\$ 90,072	100%	\$ 0
June 30, 2007	\$ 88,707	100%	\$ 0

CITY OF WEST BRANCH  
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2007

NOTE 11 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/04	\$ 2,250,934	\$ 2,880,418	\$ 629,484	78%	\$ 739,149	85%
12/31/05	\$ 2,433,962	\$ 3,049,548	\$ 615,586	80%	\$ 778,151	79%
12/31/06	\$ 2,673,496	\$ 3,297,649	\$ 624,153	81%	\$ 806,276	77%

Vesting

Both union and non-union employees become vested in the plan at the rate of 20% per year after one year of service with 100% vesting after ten years of service.

NOTE 12 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City continues to carry commercial insurance for risks of loss, including employee health and accident insurance. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 13 - UNEMPLOYMENT COMPENSATION

The City is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the City must reimburse the Employment Agency for all benefits charged against the City. No liabilities were due as of June 30, 2007.

NOTE 14 - PROPERTY TAX ADMINISTRATION FEES

P.A. 503 of 1982, provides that a local unit can only use property tax administration fees collected to offset costs of assessing, including review and appeals and tax collections.

During the year ended June 30, 2007, the City fully expended the \$30,048 collected.

NOTE 15 - OTHER POST-EMPLOYMENT BENEFITS

In addition to pension benefits described in Note 11, the City provides post-employment benefit options for health care and prescription coverage to eligible retirees. The benefits are provided in accordance with the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The criteria to determine eligibility is age 55 and 15 years or more of service. The City funds the benefits on a pay-as-you-go basis. Eligible employees are required to pay all of the premiums for the cost of the health insurance. The City pays the prescription coverage. During the year ended June 30, 2007, expenses and participant contributions of \$22,727 were recognized for post-employment health insurance and \$1,244 for post-employment prescription coverage. There are four participants currently eligible.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WEST BRANCH  
Ogemaw County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
 GENERAL FUND  
For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenue</u>				
Taxes	\$ 851,235	\$ 859,235	\$ 924,178	\$ 64,943
State grants and revenue	192,777	192,777	196,298	3,521
Charges for services	143,210	143,210	243,331	100,121
Fines and forfeits	18,900	18,900	16,231	(2,669)
Interest and rentals	17,920	17,920	33,498	15,578
Other revenue	70,980	70,980	70,504	(476)
Total revenue	<u>1,295,022</u>	<u>1,303,022</u>	<u>1,484,040</u>	<u>181,018</u>
<u>Expenditures</u>				
Current:				
Legislative and executive	102,710	102,710	99,205	3,505
Financial and tax administration	184,775	184,775	189,174	(4,399)
General government	184,224	192,224	185,391	6,833
Public safety	411,638	411,638	416,043	(4,405)
Public works	304,197	304,197	327,692	(23,495)
Community and economic development	38,986	38,986	27,200	11,786
Recreation and cultural	42,662	42,662	159,438	(116,776)
Capital outlay	4,750	4,750	7,031	(2,281)
Debt service:				
Principal	5,000	5,000	5,000	0
Interest and fiscal charges	2,080	2,080	1,560	520
Total expenditures	<u>1,281,022</u>	<u>1,289,022</u>	<u>1,417,734</u>	<u>(128,712)</u>
Excess of revenue over (under) expenditures	14,000	14,000	66,306	52,306
Other Financing Uses:				
Operating transfers out	<u>(14,000)</u>	<u>(14,000)</u>	<u>(9,639)</u>	<u>4,361</u>
Excess of revenue over (under) expenditures and other uses	0	0	56,667	56,667
Fund balances - beginning of year	<u>286,365</u>	<u>286,365</u>	<u>286,365</u>	<u>0</u>
Fund balances - end of year	<u>\$ 286,365</u>	<u>\$ 286,365</u>	<u>\$ 343,032</u>	<u>\$ 56,667</u>

CITY OF WEST BRANCH  
Ogemaw County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL -  
MAJOR STREETS - SPECIAL REVENUE FUND  
For the Year Ended June 30, 2007

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenue</u>				
Federal grants	\$ 0	\$ 0	\$ 39,013	\$ 39,013
State grants and revenue	119,500	119,500	137,948	18,448
Trunkline maintenance - reimbursement	16,000	16,000	16,350	350
Interest income	3,000	3,000	11,605	8,605
Miscellaneous	50	50	307	257
Total revenue	<u>138,550</u>	<u>138,550</u>	<u>205,223</u>	<u>66,673</u>
<u>Expenditures</u>				
Construction -				
Salaries and wages	500	500	73	427
Contractual services	45,000	45,000	68,591	(23,591)
Equipment rental	1,000	1,000	163	837
Routine maintenance -				
Salaries and wages	3,880	3,880	4,472	(592)
Operating supplies	500	500	0	500
Contractual services	2,000	2,000	1,792	208
Equipment rental	5,000	5,000	5,688	(688)
Traffic services -				
Salaries and wages	540	540	401	139
Operating supplies	200	200	0	200
Equipment rental	400	400	43	357
Winter maintenance -				
Salaries and wages	5,375	5,375	3,846	1,529
Operating supplies	9,000	9,000	5,243	3,757
Equipment rental	9,000	9,000	9,068	(68)
Administration -				
Administration	5,200	5,200	5,200	0
Fringe benefits	975	975	500	475
Trunkline -				
Administration	1,800	1,800	1,800	0
Snow removal	4,845	4,845	2,896	1,949
Traffic signal	825	825	3,188	(2,363)
Surface maintenance	635	635	323	312
Guard rails and posts	305	305	37	268
Sweeping and flushing	3,362	3,362	1,076	2,286
Trees and shrubs	413	413	14	399
Drainage and backslopes	681	681	1,259	(578)
Pavement and markings	451	451	0	451
Winter maintenance	8,350	8,350	8,082	268
Traffic signs	204	204	0	204
Total expenditures	<u>110,441</u>	<u>110,441</u>	<u>123,755</u>	<u>(13,314)</u>
Excess of revenue over (under) expenditures	28,109	28,109	81,468	53,359
Other Financing Uses:				
Operating transfers out -				
Local Streets Fund	(25,000)	(25,000)	(17,793)	7,207
Excess of revenue over (under) expenditures and other uses	3,109	3,109	63,675	60,566
Fund balances - beginning of year	<u>271,959</u>	<u>271,959</u>	<u>271,959</u>	<u>0</u>
Fund balances - end of year	<u>\$ 275,068</u>	<u>\$ 275,068</u>	<u>\$ 335,634</u>	<u>\$ 60,566</u>

CITY OF WEST BRANCH  
Ogemaw County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL -  
LOCAL STREETS - SPECIAL REVENUE FUND  
For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenue</u>				
State shared revenue	\$ 41,000	\$ 41,000	\$ 43,452	\$ 2,452
Interest income	3,000	3,000	8,758	5,758
Miscellaneous	<u>0</u>	<u>0</u>	<u>175</u>	<u>175</u>
Total revenue	<u>44,000</u>	<u>44,000</u>	<u>52,385</u>	<u>8,385</u>
<u>Expenditures</u>				
Construction -				
Salaries and wages	3,405	3,405	0	3,405
Contractual services	35,000	35,000	0	35,000
Equipment rental	2,000	2,000	0	2,000
Routine maintenance -				
Salaries and wages	7,025	7,025	7,117	(92)
Operating supplies	1,500	1,500	709	791
Contractual services	3,000	3,000	3,441	(441)
Equipment rental	12,500	12,500	10,813	1,687
Miscellaneous expenses	200	200	0	200
Traffic services -				
Salaries, wages and fringe benefits	359	359	104	255
Operating supplies	50	50	0	50
Equipment rental	250	250	94	156
Winter maintenance -				
Salaries and wages	4,310	4,310	3,616	694
Operating supplies	2,000	2,000	1,459	541
Equipment rental	7,000	7,000	8,530	(1,530)
Administration -				
Administration	3,000	3,000	3,000	0
Fringe benefits	<u>500</u>	<u>500</u>	<u>500</u>	<u>0</u>
Total expenditures	<u>82,099</u>	<u>82,099</u>	<u>39,383</u>	<u>42,716</u>
Excess of revenue over (under) expenditures	(38,099)	(38,099)	13,002	51,101
Other Financing Sources:				
Operating transfers in -				
Major Streets Fund	<u>25,000</u>	<u>25,000</u>	<u>17,793</u>	<u>(7,207)</u>
Excess of revenue and other sources over (under) expenditures	(13,099)	(13,099)	30,795	43,894
Fund balances - beginning of year	<u>220,326</u>	<u>220,326</u>	<u>220,326</u>	<u>0</u>
Fund balances - end of year	<u>\$ 207,227</u>	<u>\$ 207,227</u>	<u>\$ 251,121</u>	<u>\$ 43,894</u>

CITY OF WEST BRANCH  
Ogemaw County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - BUDGET AND ACTUAL -  
 SENIOR CITIZEN'S HOUSING PROGRAM - SPECIAL REVENUE FUND  
For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenue</u>				
<del>Federal grants and</del>	\$ 231,750	\$ 231,750	\$ 208,500	\$ (23,240)
Charges for services	0	0	16,647	16,647
Interest and rentals	125,000	125,000	159,844	34,844
Other revenue	<u>14,175</u>	<u>14,175</u>	<u>5,655</u>	<u>(8,520)</u>
Total revenue	<u>370,925</u>	<u>370,925</u>	<u>390,653</u>	<u>19,728</u>
<u>Expenditures</u>				
Current:				
Community and economic development	238,656	238,656	245,196	(6,540)
Debt service:				
Interest and fiscal charges	<u>0</u>	<u>0</u>	<u>1,214</u>	<u>(1,214)</u>
Total expenditures	<u>238,656</u>	<u>238,656</u>	<u>246,410</u>	<u>(7,754)</u>
Excess of revenue over (under) expenditures	132,269	132,269	144,243	11,974
Other Financing Uses:				
Operating transfers out	<u>(136,758)</u>	<u>(136,758)</u>	<u>(164,647)</u>	<u>(27,889)</u>
Excess of revenue over (under) expenditures and other uses	(4,489)	(4,489)	(20,404)	(15,915)
Fund balances - beginning of year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balances (deficit) - end of year	<u>\$ (4,489)</u>	<u>\$ (4,489)</u>	<u>\$ (20,404)</u>	<u>\$ (15,915)</u>

CITY OF WEST BRANCH  
Ogemaw County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - BUDGET AND ACTUAL -  
 HOUSING FUND - SPECIAL REVENUE FUND  
For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenue</u>				
Interest and rentals	\$ 0	\$ 0	\$ 595	\$ 595
Other revenue	<u>86,000</u>	<u>86,000</u>	<u>13,120</u>	<u>(72,880)</u>
Total revenue	86,000	86,000	13,715	(72,285)
<u>Expenditures</u>				
Legislative	0	0	0	0
Community and economic development	<u>86,000</u>	<u>63,648</u>	<u>163,940</u>	<u>(100,292)</u>
Excess of revenue over (under) expenditures	0	22,352	(150,225)	(172,577)
Fund balances - beginning of year	<u>32,561</u>	<u>32,561</u>	<u>32,561</u>	<u>0</u>
Fund balances (deficit) - end of year	<u>\$ 32,561</u>	<u>\$ 54,913</u>	<u>\$ (117,664)</u>	<u>\$ (172,577)</u>

CITY OF WEST BRANCH  
Ogemaw County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - BUDGET AND ACTUAL -  
 CIVIC FUND - SPECIAL REVENUE FUND  
For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenue</u>				
Interest and rentals	\$ 21,600	\$ 21,600	\$ 27,704	\$ 6,104
<u>Expenditures</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of revenue over (under) expenditures	21,600	21,600	27,704	6,104
Other Financing Uses:				
Operating transfers out	<u>(76,792)</u>	<u>(76,792)</u>	<u>(76,558)</u>	<u>234</u>
Excess of revenue over (under) expenditures and other uses	(55,192)	(55,192)	(48,854)	6,338
Fund balances - beginning of year	<u>530,542</u>	<u>530,542</u>	<u>530,542</u>	<u>0</u>
Fund balances - end of year	<u>\$ 475,350</u>	<u>\$ 475,350</u>	<u>\$ 481,688</u>	<u>\$ 6,338</u>

OTHER INFORMATION

CITY OF WEST BRANCH  
Ogemaw County, Michigan

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
June 30, 2007

	Cemetery Fund	DDA Fund	Industrial Park Fund	Housing Replacement Fund	Senior Center Fund	Progress Building Fund	Police Safety Program	K-9 Fund
<u>ASSETS</u>								
Cash and cash equivalents	\$ 9,300	\$ 0	\$ 177,390	\$ 0	\$ 0	\$ 29,635	\$ 6,827	\$ 1,942
Investments	0	0	0	0	0	0	0	0
Receivables:								
Accounts receivable	2,404	7,046	0	0	0	0	0	0
Due from other funds	0	0	0	0	0	0	0	0
Total Assets	<u>\$ 11,704</u>	<u>\$ 7,046</u>	<u>\$ 177,390</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 29,635</u>	<u>\$ 6,827</u>	<u>\$ 1,942</u>
<u>LIABILITIES AND FUND EQUITY</u>								
<u>Liabilities</u>								
Accounts payable	\$ 8	\$ 193	\$ 0	\$ 0	\$ 884	\$ 0	\$ 0	\$ 25
Deposits payable	0	0	19,215	0	0	0	0	0
Due to local units	0	0	0	0	0	0	0	0
Due to other funds	0	98,020	0	0	3,802	0	0	0
Deferred revenue	0	7,046	0	0	0	0	0	0
Total liabilities	<u>8</u>	<u>105,259</u>	<u>19,215</u>	<u>0</u>	<u>4,686</u>	<u>0</u>	<u>0</u>	<u>25</u>
<u>Fund Equity</u>								
Fund balances (deficits):								
Reserved:								
For debt service	0	0	0	0	0	0	0	0
For perpetual care	0	0	0	0	0	0	0	0
Unreserved reported in:								
Special revenue funds	11,696	(98,213)	158,175	0	(4,686)	29,635	6,827	1,917
Total fund equity	<u>11,696</u>	<u>(98,213)</u>	<u>158,175</u>	<u>0</u>	<u>(4,686)</u>	<u>29,635</u>	<u>6,827</u>	<u>1,917</u>
Total Liabilities and Fund Equity	<u>\$ 11,704</u>	<u>\$ 7,046</u>	<u>\$ 177,390</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 29,635</u>	<u>\$ 6,827</u>	<u>\$ 1,942</u>

CITY OF WEST BRANCH  
Ogemaw County, Michigan

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
June 30, 2007

	<u>Economic Advancement Fund</u>	<u>1998 Improvement Debt Service</u>	<u>Street Improvement Debt Service</u>	<u>Senior Center Debt Service</u>	<u>High Rise Debt Refunding</u>	<u>Cemetery Perpetual Care</u>	<u>DDA Perpetual Care</u>	<u>Total Other Governmental Funds</u>
<b><u>ASSETS</u></b>								
Cash and cash equivalents	\$ 90,259	\$ 0	\$ 38,627	\$ 88,031	\$ 0	\$ 24,329	\$ 64,764	\$ 531,104
Investments	0	0	0	0	0	178,000	151,207	329,207
Receivables:								
Accounts receivable	0	0	0	0	0	688	0	10,138
Due from other funds	<u>0</u>	<u>0</u>	<u>4</u>	<u>654</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>658</u>
Total Assets	<u>\$ 90,259</u>	<u>\$ 0</u>	<u>\$ 38,631</u>	<u>\$ 88,685</u>	<u>\$ 0</u>	<u>\$ 203,017</u>	<u>\$ 215,971</u>	<u>\$ 871,107</u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>								
<b><u>Liabilities</u></b>								
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,110
Deposits payable	0	0	0	0	0	0	0	19,215
Due to local units	0	0	0	3,982	0	0	0	3,982
Due to other funds	0	0	84	0	0	0	0	101,906
Deferred revenue	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,046</u>
Total liabilities	<u>0</u>	<u>0</u>	<u>84</u>	<u>3,982</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>133,259</u>
<b><u>Fund Equity</u></b>								
Fund balances (deficits):								
Reserved:								
For debt service	0	0	38,547	84,703	0	0	0	123,250
For perpetual care	0	0	0	0	0	203,017	215,971	418,988
Unreserved reported in:								
Special revenue funds	<u>90,259</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>195,610</u>
Total fund equity	<u>90,259</u>	<u>0</u>	<u>38,547</u>	<u>84,703</u>	<u>0</u>	<u>203,017</u>	<u>215,971</u>	<u>737,848</u>
Total Liabilities and Fund Equity	<u>\$ 90,259</u>	<u>\$ 0</u>	<u>\$ 38,631</u>	<u>\$ 88,685</u>	<u>\$ 0</u>	<u>\$ 203,017</u>	<u>\$ 215,971</u>	<u>\$ 871,107</u>

CITY OF WEST BRANCH  
Ogemaw County, Michigan

COMBINING STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2007

	Cemetery Fund	DDA Fund	Industrial Park Fund	Housing Replacement Fund	Senior Center Fund	Progress Building Fund	Police Safety Program	K-9 Fund
<b>Revenue</b>								
Taxes	\$ 0	\$ 10,699	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Federal grants	0	0	0	0	0	0	0	0
Contributions from local units	0	0	0	0	0	0	2,505	50
Charges for services	14,636	0	0	0	0	0	0	0
Interest and rentals	345	259	7,886	51	16,627	1,262	347	102
Other revenue	66	5	0	0	380	1,500	0	0
Total revenue	<u>15,047</u>	<u>10,963</u>	<u>7,886</u>	<u>51</u>	<u>17,007</u>	<u>2,762</u>	<u>2,852</u>	<u>152</u>
<b>Expenditures</b>								
Current:								
General government	37,292	0	0	0	0	0	0	0
Public safety	0	0	0	0	0	0	2,237	652
Health and welfare	0	0	0	0	23,432	0	0	0
Community and economic development	0	18,676	6,886	960	0	0	0	0
Capital outlay	0	110,013	0	40,268	0	0	0	0
Debt service:								
Principal	0	0	0	0	0	0	0	0
Interest and fiscal charges	0	0	0	0	0	0	0	0
Total expenditures	<u>37,292</u>	<u>128,689</u>	<u>6,886</u>	<u>41,228</u>	<u>23,432</u>	<u>0</u>	<u>2,237</u>	<u>652</u>
Excess of revenue over (under) expenditures	<u>(22,245)</u>	<u>(117,726)</u>	<u>1,000</u>	<u>(41,177)</u>	<u>(6,425)</u>	<u>2,762</u>	<u>615</u>	<u>(500)</u>
Other Financing Sources (Uses):								
Operating transfers in	30,576	0	0	27,985	0	0	0	0
Operating transfers out	0	0	0	0	0	0	0	0
Total other financing sources (uses)	<u>30,576</u>	<u>0</u>	<u>0</u>	<u>27,985</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of revenue and other sources over (under) expenditures and other uses	<u>8,331</u>	<u>(117,726)</u>	<u>1,000</u>	<u>(13,192)</u>	<u>(6,425)</u>	<u>2,762</u>	<u>615</u>	<u>(500)</u>
Fund balances - beginning of year	<u>3,365</u>	<u>19,513</u>	<u>157,175</u>	<u>13,192</u>	<u>1,739</u>	<u>26,873</u>	<u>6,212</u>	<u>2,417</u>
Fund balances (deficits) - end of year	<u>\$ 11,696</u>	<u>\$ (98,213)</u>	<u>\$ 158,175</u>	<u>\$ 0</u>	<u>\$ (4,686)</u>	<u>\$ 29,635</u>	<u>\$ 6,827</u>	<u>\$ 1,917</u>

CITY OF WEST BRANCH  
Ogemaw County, Michigan

COMBINING STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2007

	Economic Advancement Fund	1998 Improvement Debt Service	Street Improvement Debt Service	Senior Center Debt Service	High Rise Debt Refunding	Cemetery Perpetual Care	DDA Perpetual Care	Total Other Governmental Funds
<b>Revenue</b>								
Taxes	\$ 0	\$ 0	\$ 102,103	\$ 20,487	\$ 0	\$ 0	\$ 0	\$ 133,289
Federal grants	14,500	0	0	0	0	0	0	14,500
Contributions from local units	0	0	0	24,170	0	0	0	26,725
Charges for services	0	0	0	0	0	2,493	0	17,129
Interest and rentals	3,648	1	1,579	372	0	9,923	9,845	52,247
Other revenue	0	0	0	0	0	0	0	1,951
Total revenue	<u>18,148</u>	<u>1</u>	<u>103,682</u>	<u>45,029</u>	<u>0</u>	<u>12,416</u>	<u>9,845</u>	<u>245,841</u>
<b>Expenditures</b>								
Current:								
General government	0	0	0	0	0	0	0	37,292
Public safety	0	0	0	0	0	0	0	2,889
Health and welfare	0	0	0	0	0	0	0	23,432
Community and economic development	18,347	0	0	0	0	0	0	44,869
Capital outlay	0	0	0	0	0	0	0	150,281
Debt service:								
Principal	0	52,500	70,000	25,000	115,000	0	0	262,500
Interest and fiscal charges	0	5,048	20,550	10,065	21,757	0	0	57,420
Total expenditures	<u>18,347</u>	<u>57,548</u>	<u>90,550</u>	<u>35,065</u>	<u>136,757</u>	<u>0</u>	<u>0</u>	<u>578,683</u>
Excess of revenue over (under) expenditures	<u>(199)</u>	<u>(57,547)</u>	<u>13,132</u>	<u>9,964</u>	<u>(136,757)</u>	<u>12,416</u>	<u>9,845</u>	<u>(332,842)</u>
Other Financing Sources (Uses):								
Operating transfers in	9,639	57,375	0	0	136,662	0	0	262,237
Operating transfers out	0	0	0	0	0	(30,576)	0	(30,576)
Total other financing sources (uses)	<u>9,639</u>	<u>57,375</u>	<u>0</u>	<u>0</u>	<u>136,662</u>	<u>(30,576)</u>	<u>0</u>	<u>231,661</u>
Excess of revenue and other sources over (under) expenditures and other uses	<u>9,440</u>	<u>(172)</u>	<u>13,132</u>	<u>9,964</u>	<u>(95)</u>	<u>(18,160)</u>	<u>9,845</u>	<u>(101,181)</u>
Fund balances - beginning of year	<u>80,819</u>	<u>172</u>	<u>25,415</u>	<u>74,739</u>	<u>95</u>	<u>221,177</u>	<u>206,126</u>	<u>839,029</u>
Fund balances (deficits) - end of year	<u>\$ 90,259</u>	<u>\$ 0</u>	<u>\$ 38,547</u>	<u>\$ 84,703</u>	<u>\$ 0</u>	<u>\$ 203,017</u>	<u>\$ 215,971</u>	<u>\$ 737,848</u>

CITY OF WEST BRANCH  
Ogemaw County, Michigan

COMBINING STATEMENT OF NET ASSETS  
 OTHER PROPRIETARY FUNDS  
June 30, 2007

	Collection Replacement Fund	Plant Replacement Fund	Sewer Collection Fund	Total Other Proprietary Funds
<u>Assets</u>				
Current assets:				
Cash and cash equivalents (Note 2)	\$ 69,772	\$ 157,569	\$ 991	\$ 228,332
Receivables:				
Accounts receivable, net	0	0	16,554	16,554
Total current assets	69,772	157,569	17,545	244,886
Noncurrent assets:				
Capital assets, net (Note 6)	0	6,564	0	6,564
Total Assets	69,772	164,133	17,545	251,450
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	0	9,743	82	9,825
Escrow account	0	0	545	545
Due to other funds (Note 4)	0	22,381	0	22,381
Total Liabilities	0	32,124	627	32,751
<u>Net Assets</u>				
Invested in capital assets, net of related debt	0	6,564	0	6,564
Unrestricted	69,772	125,445	16,918	212,135
Total Net Assets	\$ 69,772	\$ 132,009	\$ 16,918	\$ 218,699

CITY OF WEST BRANCH  
Ogemaw County, Michigan

COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS  
 OTHER PROPRIETARY FUNDS  
For the Year Ended June 30, 2007

	Collection Replacement Fund	Plant Replacement Fund	Sewer Collection Fund	Total Other Proprietary Funds
<u>Operating Revenue</u>				
Charges for services	\$ 0	\$ 0	\$ 63,702	\$ 63,702
Miscellaneous	0	0	6,676	6,676
Total operating revenue	<u>0</u>	<u>0</u>	<u>70,378</u>	<u>70,378</u>
<u>Operating Expenses</u>				
Salaries and wages	0	0	17,108	17,108
Fringe benefits	0	0	1,566	1,566
Administration	0	0	27,000	27,000
Contractual services	150,622	98,568	3,437	252,627
Equipment rental	0	0	12,494	12,494
Operating supplies and expenses	0	0	2,370	2,370
Utilities	0	0	188	188
Other	0	0	410	410
Depreciation	0	274	0	274
Total operating expenses	<u>150,622</u>	<u>98,842</u>	<u>64,573</u>	<u>314,037</u>
Operating income (loss)	(150,622)	(98,842)	5,805	(243,659)
<u>Non-Operating Revenue</u>				
Interest income	<u>7,390</u>	<u>8,593</u>	<u>30</u>	<u>16,013</u>
Income (loss) before operating transfers	(143,232)	(90,249)	5,835	(227,646)
Operating transfers in	<u>0</u>	<u>0</u>	<u>11,083</u>	<u>11,083</u>
Change in net assets	(143,232)	(90,249)	16,918	(216,563)
Net assets - beginning of year	<u>213,004</u>	<u>222,258</u>	<u>0</u>	<u>435,262</u>
Net assets - end of year	<u>\$ 69,772</u>	<u>\$ 132,009</u>	<u>\$ 16,918</u>	<u>\$ 218,699</u>

CITY OF WEST BRANCH  
Ogemaw County, Michigan

COMBINING STATEMENT OF CASH FLOWS  
OTHER PROPRIETARY FUNDS  
For the Year Ended June 30, 2007

	<u>Collection Replacement Fund</u>	<u>Plant Replacement Fund</u>	<u>Sewer Collection Fund</u>	<u>Total Other Proprietary Funds</u>
<u>Cash Flows From Operating Activities</u>				
Receipts from customers	\$ 0	\$ 0	\$ 47,148	\$ 47,148
Other operating revenue	0	0	6,676	6,676
Payments to suppliers for goods and services	(150,622)	(88,825)	(34,344)	(273,791)
Payments to employees for services	0	0	(17,108)	(17,108)
Payments for interfund services	0	0	(12,494)	(12,494)
Net cash used by operating activities	<u>(150,622)</u>	<u>(88,825)</u>	<u>(10,122)</u>	<u>(249,569)</u>
<u>Cash Flows From Noncapital Financing Activities</u>				
Operating subsidies and transfers from other funds	<u>0</u>	<u>22,381</u>	<u>11,083</u>	<u>33,464</u>
<u>Cash Flows From Investing Activities</u>				
Cash received from interest	<u>7,390</u>	<u>8,593</u>	<u>30</u>	<u>16,013</u>
Net increase (decrease) in cash and cash equivalents	(143,232)	(57,851)	991	(200,092)
Cash and cash equivalents at beginning of year (Note 1)	<u>213,004</u>	<u>215,420</u>	<u>0</u>	<u>428,424</u>
Cash and cash equivalents at end of year (Note 1)	<u>\$ 69,772</u>	<u>\$ 157,569</u>	<u>\$ 991</u>	<u>\$ 228,332</u>
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</u>				
Operating income (loss)	\$ (150,622)	\$ (98,842)	\$ 5,805	\$ (243,659)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	0	274	0	274
Change in assets and liabilities:				
Accounts receivable, net	0	0	(16,554)	(16,554)
Accounts and other payables	0	9,743	627	10,370
Net cash used by operating activities	<u>\$ (150,622)</u>	<u>\$ (88,825)</u>	<u>\$ (10,122)</u>	<u>\$ (249,569)</u>

CITY OF WEST BRANCH  
Ogemaw County, Michigan

GENERAL FUND  
 STATEMENT OF REVENUE - BUDGET AND ACTUAL  
 For the Year Ended June 30, 2007  
With Comparative Actual Amounts for the Year Ended June 30, 2006

	<u>2007 Budget</u>	<u>2007 Actual</u>	<u>2006 Actual</u>
<u>Taxes</u>			
Current property taxes	\$ 851,235	\$ 912,272	\$ 864,574
Penalties and interest	8,000	11,906	8,554
	<u>859,235</u>	<u>924,178</u>	<u>873,128</u>
<u>State grants and revenue</u>			
Sales tax	182,227	184,739	186,875
Liquor licenses	2,700	3,116	2,932
In-Service Training Grant	0	542	921
Anti-Drug Grant	7,850	7,901	7,476
	<u>192,777</u>	<u>196,298</u>	<u>198,204</u>
<u>Charges for Services</u>			
Planning and zoning	1,000	1,950	1,100
Recreation and cultural	0	94,731	124,093
Administrative fees	129,210	130,600	130,210
Fire runs	1,000	4,535	9,686
Driver's tests	12,000	11,515	14,225
	<u>143,210</u>	<u>243,331</u>	<u>279,314</u>
<u>Fines and Forfeits</u>			
Traffic bureau	7,000	4,420	6,860
Accident reports	500	403	551
District court fines	10,000	10,528	11,453
NSF Fees	1,400	880	520
	<u>18,900</u>	<u>16,231</u>	<u>19,384</u>
<u>Interest and rentals</u>			
Interest income	10,000	25,578	24,411
Rental income	7,920	7,920	8,580
	<u>17,920</u>	<u>33,498</u>	<u>32,991</u>
<u>Other Revenue</u>			
Miscellaneous	37,980	41,915	43,473
Retiree health insurance	33,000	28,589	32,429
	<u>70,980</u>	<u>70,504</u>	<u>75,902</u>
Total Revenue	<u>1,303,022</u>	<u>1,484,040</u>	<u>1,478,923</u>
Other Financing Sources:			
Operating transfers in:			
CDBG Fund	<u>0</u>	<u>0</u>	<u>42</u>
Total Revenue and Other Sources	<u>\$ 1,303,022</u>	<u>\$ 1,484,040</u>	<u>\$ 1,478,965</u>

CITY OF WEST BRANCH  
Ogemaw County, Michigan

GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2007  
With Comparative Actual Amounts for the Year Ended June 30, 2006

	<u>2007 Budget</u>	<u>2007 Actual</u>	<u>2006 Actual</u>
<u>Legislative and Executive</u>			
Legislative:			
Salaries and wages	\$ 9,600	\$ 7,350	\$ 8,500
Employee benefits	740	563	650
Membership and dues	1,700	1,341	1,298
Miscellaneous expenses	2,000	2,182	1,730
Operating supplies	50	0	0
Telephone	1,600	900	1,927
Professional development	2,000	474	1,902
Worker's compensation	90	71	86
	<u>17,780</u>	<u>12,881</u>	<u>16,093</u>
City Manager's Office:			
Salaries and wages	54,000	57,844	54,208
Employee benefits	22,250	22,640	21,562
Equipment rental	3,000	3,000	3,000
Membership and dues	500	75	75
Miscellaneous expenses	1,500	878	297
Operating supplies	430	242	346
Telephone	100	41	95
Professional development	2,000	1,340	2,533
Workers' compensation	350	259	313
Unemployment insurance benefits	800	5	659
	<u>84,930</u>	<u>86,324</u>	<u>83,088</u>
Total Legislative and Executive	<u>102,710</u>	<u>99,205</u>	<u>99,181</u>
<u>Financial and Tax Administration</u>			
Internal Services:			
Salaries and wages	56,250	58,779	58,551
Employee benefits	15,363	14,158	13,865
Contractual Services	100	500	101
Data processing	8,100	4,483	7,056
Membership and dues	200	220	220
Miscellaneous expenses	3,800	9,087	688
Operating supplies	4,500	6,676	6,161
Postage	5,000	5,025	4,419
Printing and publishing	2,000	2,002	1,763
Telephone	200	0	181
Professional development	500	0	69
Workers' compensation	260	216	261
	<u>96,273</u>	<u>101,146</u>	<u>93,335</u>

CITY OF WEST BRANCH  
Ogemaw County, Michigan

GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2007  
With Comparative Actual Amounts for the Year Ended June 30, 2006

	<u>2007</u> <u>Budget</u>	<u>2007</u> <u>Actual</u>	<u>2006</u> <u>Actual</u>
<u>Financial and Tax Administration</u> (Continued)			
Clerk/Treasurer's Office:			
Salaries and wages	\$ 46,182	\$ 47,605	\$ 45,950
Employee benefits	12,300	12,501	12,239
Audit	11,000	14,605	13,525
Membership and dues	150	50	50
Miscellaneous expenses	100	15	185
Operating supplies	500	2,584	14
Telephone	50	0	87
Professional development	50	143	69
Workers' compensation	250	185	223
Unemployment insurance benefits	<u>0</u>	<u>5</u>	<u>814</u>
	<u>70,582</u>	<u>77,693</u>	<u>73,156</u>
Technology:			
Contracted services	5,000	0	0
Telephone	<u>2,920</u>	<u>0</u>	<u>0</u>
	<u>7,920</u>	<u>0</u>	<u>0</u>
<u>Assessor:</u>			
Property assessment - review service	<u>10,000</u>	<u>10,335</u>	<u>25,061</u>
Total Financial and Tax Administration	<u>184,775</u>	<u>189,174</u>	<u>191,552</u>
<u>General Government</u>			
Elections:			
Wages - part-time	2,500	2,336	1,138
Employee benefits	200	65	14
Operating supplies	1,000	2,572	1,296
Workers' compensation	<u>20</u>	<u>17</u>	<u>21</u>
	<u>3,720</u>	<u>4,990</u>	<u>2,469</u>
Legal Assistance:			
Contractual services	<u>22,000</u>	<u>22,873</u>	<u>16,837</u>
Municipal Buildings:			
Salaries and wages	7,200	7,569	8,414
Employee benefits	550	578	642
Contractual services	8,000	3,328	2,813
Equipment rental	2,250	2,873	2,589
Miscellaneous expenses	1,600	3,007	653

CITY OF WEST BRANCH  
Ogemaw County, Michigan

GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2007  
With Comparative Actual Amounts for the Year Ended June 30, 2006

	<u>2007</u> <u>Budget</u>	<u>2007</u> <u>Actual</u>	<u>2006</u> <u>Actual</u>
<u>General Government (Continued)</u>			
Municipal Buildings: (Continued)			
Operating supplies	\$ 500	\$ 269	\$ 329
Public utilities	22,000	21,515	25,189
Telephone/radio communications	4,000	3,161	2,878
Workers' compensation	200	110	174
	<u>46,300</u>	<u>42,410</u>	<u>43,681</u>
City Services:			
Hydrant rental	6,600	6,600	6,600
Land purchases - license	0	863	25
Property tax adjustment	8,000	7,389	0
Public utilities	35,000	37,582	35,615
	<u>49,600</u>	<u>52,434</u>	<u>42,240</u>
Insurance and Risk Management:			
All risk premium	20,000	20,144	20,176
Supplies	800	409	0
	<u>20,800</u>	<u>20,553</u>	<u>20,176</u>
Employee Benefit Administration:			
Mandatory medicare	35	2	2
Social security	150	8	8
Employer deferred compensation	250	46	152
Employee health option	19	58	0
Health insurance premium - retirees	33,000	22,817	32,677
Prescription co-pay - retirees	1,300	1,153	1,095
Workers' compensation	50	28	16
	<u>34,804</u>	<u>24,112</u>	<u>33,950</u>
Other:			
West Branch Township - 3 mills	15,000	18,019	15,636
	<u>15,000</u>	<u>18,019</u>	<u>15,636</u>
Total General Government	<u>192,224</u>	<u>185,391</u>	<u>174,989</u>
<u>Public Safety</u>			
Police Department:			
Salaries and wages	239,669	229,674	233,430
Employee benefits	96,835	99,130	96,395
Contractual services	200	2,016	30
Data processing	500	406	20

CITY OF WEST BRANCH  
Ogemaw County, Michigan

GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2007  
With Comparative Actual Amounts for the Year Ended June 30, 2006

	<u>2007</u> <u>Budget</u>	<u>2007</u> <u>Actual</u>	<u>2006</u> <u>Actual</u>
<u>Public Safety (Continued)</u>			
Police Department: (Continued)			
Education and training - local	\$ 3,300	\$ 1,626	\$ 2,990
Equipment rental	17,727	17,727	17,727
Membership and dues	250	180	197
Miscellaneous expenses	1,500	1,139	2,312
Operating supplies	4,250	5,519	5,231
Printing and publishing	150	0	65
Telephone	3,500	14,263	12,382
Uniforms	3,700	2,291	2,376
Workers' compensation	6,000	4,164	5,061
Sting	2,700	2,692	2,696
	<u>380,281</u>	<u>380,827</u>	<u>380,912</u>
Fire Department:			
Salaries and wages	100	100	100
Employee benefits	135	7	7
Allocations	20,347	21,559	20,347
Miscellaneous expenses	2,000	5,416	10,302
	<u>22,582</u>	<u>27,082</u>	<u>30,756</u>
Crossing Guards:			
Wages - part-time	7,800	7,359	6,953
Employee benefits	650	567	524
Miscellaneous expenses	75	76	0
Workers' compensation	250	132	160
	<u>8,775</u>	<u>8,134</u>	<u>7,637</u>
Total Public Safety	<u>411,638</u>	<u>416,043</u>	<u>419,305</u>
<u>Public Works</u>			
Department of Public Works:			
Salaries and wages	38,900	46,634	46,558
Employee benefits	93,130	88,957	89,783
Contractual services	100	23	468
Equipment rental	11,000	13,410	11,448
Miscellaneous expenses	3,000	2,148	742
Operating supplies	4,000	4,476	4,297
Signs	1,000	0	0

CITY OF WEST BRANCH  
Ogemaw County, Michigan

GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2007  
With Comparative Actual Amounts for the Year Ended June 30, 2006

	<u>2007 Budget</u>	<u>2007 Actual</u>	<u>2006 Actual</u>
<u>Public Works (Continued)</u>			
Department of Public Works: (Continued)			
Telephone - radio	\$ 1,500	\$ 913	\$ 1,287
Uniforms	2,000	2,403	2,715
Workers' compensation	<u>2,200</u>	<u>1,612</u>	<u>1,952</u>
	<u>156,830</u>	<u>160,576</u>	<u>159,250</u>
Sidewalks:			
Salaries and wages	3,000	3,825	2,784
Employee benefits	266	294	212
Contractual services	0	2,205	0
Equipment rental	4,610	7,377	4,994
Operating supplies	400	265	0
Workers' compensation	<u>33</u>	<u>28</u>	<u>34</u>
	<u>8,309</u>	<u>13,994</u>	<u>8,024</u>
Solid Waste:			
Salaries and wages	17,375	17,526	21,055
Employee benefits	1,322	1,368	1,561
Contractual services	70,000	85,477	67,445
Equipment rental	27,000	29,304	35,073
Public utilities	140	146	137
Workers' compensation	<u>1,143</u>	<u>969</u>	<u>1,174</u>
	<u>116,980</u>	<u>134,790</u>	<u>126,445</u>
Airport:			
Salaries and wages	1,000	555	546
Employee benefits	78	42	42
Allocations	20,000	16,623	20,124
Equipment rental	0	0	882
Miscellaneous expenses	<u>1,000</u>	<u>1,112</u>	<u>2</u>
	<u>22,078</u>	<u>18,332</u>	<u>21,596</u>
Total Public Works	<u>304,197</u>	<u>327,692</u>	<u>315,315</u>
<u>Community and Economic Development</u>			
Community Promotion:			
Salaries and wages	6,000	6,136	6,411
Employee benefits	490	473	485
Chamber of Commerce membership	389	389	389
Christmas decorations	500	260	3,309

CITY OF WEST BRANCH  
Ogemaw County, Michigan

GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2007  
With Comparative Actual Amounts for the Year Ended June 30, 2006

	<u>2007</u> <u>Budget</u>	<u>2007</u> <u>Actual</u>	<u>2006</u> <u>Actual</u>
<u>Community and Economic Development</u> (Continued)			
Community Promotion: (Continued)			
Equipment rental	\$ 4,000	\$ 2,903	\$ 2,534
Miscellaneous expenses	15,000	9,271	13,035
Printing and publishing	1,500	655	1,680
Recognition dinner	3,250	2,951	3,507
Workers' compensation	70	80	57
	<u>31,199</u>	<u>23,118</u>	<u>31,407</u>
Planning and Zoning:			
Salaries and wages	3,000	2,244	2,425
Employee benefits	225	172	185
Contractual services	3,500	0	2,026
Operating supplies	250	253	175
Printing and publishing	600	1,186	383
Telephone	0	218	286
Professional development	200	0	132
Workers' compensation	12	9	10
	<u>7,787</u>	<u>4,082</u>	<u>5,622</u>
Total Community and Economic Development	<u>38,986</u>	<u>27,200</u>	<u>37,029</u>
<u>Recreation and Cultural</u>			
Parks and Recreation:			
Salaries and wages	16,000	12,296	11,236
Employee benefits	1,162	932	831
Contractual services	5,000	1,047	375
Equipment rental	15,000	12,619	12,951
Equipment maintenance	500	8	0
Operating supplies	2,000	2,332	1,858
Public utilities	2,700	2,499	2,118
Workers' compensation	300	223	270
	<u>42,662</u>	<u>31,956</u>	<u>29,639</u>
Library:			
Salaries and wages	0	93,062	91,787
Employee benefits	0	34,064	32,305
Equipment rental	0	356	0
	<u>0</u>	<u>127,482</u>	<u>124,092</u>
Total Recreation and Cultural	<u>42,662</u>	<u>159,438</u>	<u>153,731</u>

CITY OF WEST BRANCH  
Ogemaw County, Michigan

GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2007  
With Comparative Actual Amounts for the Year Ended June 30, 2006

	<u>2007 Budget</u>	<u>2007 Actual</u>	<u>2006 Actual</u>
<u>Capital Outlay</u>			
City manager's office	\$ 50	\$ 0	\$ 0
Clerks/Treasurer's office	500	0	0
Municipal buildings	1,200	0	0
City services	0	1,031	0
Police department	<u>3,000</u>	<u>6,000</u>	<u>0</u>
Total Capital Outlay	<u>4,750</u>	<u>7,031</u>	<u>0</u>
<u>Debt Service</u>			
Principal	5,000	5,000	5,000
Interest and fiscal charges	<u>2,080</u>	<u>1,560</u>	<u>1,816</u>
Total Debt Service	<u>7,080</u>	<u>6,560</u>	<u>6,816</u>
Total Expenditures	<u>1,289,022</u>	<u>1,417,734</u>	<u>1,397,918</u>
Other Financing Uses:			
Operating transfers out:			
Economic Advancement Fund	<u>14,000</u>	<u>9,639</u>	<u>9,434</u>
Total Expenditures and Other Uses	<u>\$ 1,303,022</u>	<u>\$ 1,427,373</u>	<u>\$ 1,407,352</u>

CITY OF WEST BRANCH  
Ogemaw County, Michigan

SCHEDULE OF INDEBTEDNESS  
June 30, 2007

**UNLIMITED TAX GENERAL OBLIGATION BONDS**

**SENIOR CENTER IMPROVEMENTS**

<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal</u>	<u>Annual Interest Payable</u>	<u>Total</u>
1-1-97	\$ 350,000	4.7% - 6.875%	9-1-07	\$ 30,000	\$ 8,275	\$ 38,275
			9-1-08	30,000	6,730	36,730
			9-1-09	30,000	5,155	35,155
			9-1-10	40,000	3,280	43,280
			9-1-11	40,000	1,100	41,100
				<u>\$ 170,000</u>	<u>\$ 24,540</u>	<u>\$ 194,540</u>

**STREET IMPROVEMENTS**

<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal</u>	<u>Annual Interest Payable</u>	<u>Total</u>
4-1-96	\$ 820,000	5.0% - 6.5%	10-1-07	\$ 80,000	\$ 16,360	\$ 96,360
			10-1-08	85,000	12,110	97,110
			10-1-09	90,000	7,515	97,515
			10-1-10	95,000	2,565	97,565
				<u>\$ 350,000</u>	<u>\$ 38,550</u>	<u>\$ 388,550</u>

**WEST BRANCH HOUSING GENERAL OBLIGATION REFUNDING BONDS**

<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal</u>	<u>Annual Interest Payable</u>	<u>Total</u>
2-1-94	\$ 1,650,000	5.5% - 6.0%	11-1-07	\$ 110,000	\$ 14,790	\$ 124,790
			11-1-08	100,000	8,650	108,650
			11-1-09	95,000	2,850	97,850
				<u>\$ 305,000</u>	<u>\$ 26,290</u>	<u>\$ 331,290</u>

CITY OF WEST BRANCH  
Ogemaw County, Michigan

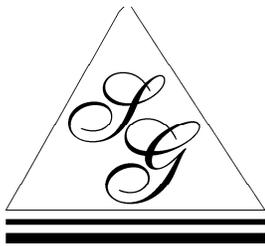
SCHEDULE OF INDEBTEDNESS  
June 30, 2007

**MUNICIPAL PURCHASE CONTRACT ACT #98**

<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal</u>	<u>Annual Interest Payable</u>	<u>Total</u>
5-15-98	\$ 600,000	4.75%	5-1-08	\$ 73,000	\$ 3,467	\$ 76,467

**LITTLE LEAGUE BALL FIELD LIGHTING NOTE**

<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal</u>	<u>Annual Interest Payable</u>	<u>Total</u>
8-17-00	\$ 64,786	5.19%	8-31-07	\$ 5,000	\$ 1,286	\$ 6,286
			8-31-08	5,000	1,026	6,026
			8-31-09	5,000	767	5,767
			8-31-10	9,776	507	10,283
				\$ 24,776	\$ 3,586	\$ 28,362



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Herman A Bertuleit, CPA

October 26, 2007

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

Members of the City Council  
City of West Branch  
Ogemaw County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Branch, Ogemaw County, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of West Branch's internal control over financial reporting 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 City of West Branch's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of West Branch's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, 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 combination of control deficiencies, that adversely affects the City of West Branch'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 City of West Branch's financial statements that is more than inconsequential will not be prevented or detected by the City of West Branch's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting:

Deficit Fund Balances

The City of West Branch's Senior Citizen's Housing Program Fund, Housing Fund, DDA Fund and Senior Center Fund have deficit fund balances at June 30, 2007. Deficit elimination plans need to be filed with the Michigan Department of Treasury as soon as possible.

Financial Statement Preparation

The City of West Branch prepares various financial information throughout the year to assess operations and the financial condition of the City. However, prior to the closing of the year end, various entries material to the financial statements were proposed by our firm. Also, the City relies on our firm to assist in preparing the annual financial report in accordance with Generally Accepted Accounting Principles.

Members of the City Council  
City of West Branch  
October 26, 2007  
Page Two

The City of West Branch has individuals on staff to review that the financial report is accurate and the financial information reflects the recording of the proposed entries, however, not to review and determine that the financial report is a complete presentation in accordance with Generally Accepted Accounting Principles. As a result, the City is considered to have a significant control deficiency, since reporting errors or omissions could occur in the preparation of the annual financial report that would be departures from Generally Accepted Accounting Principles and the City would not be in a position to detect the errors or omissions.

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 City of West Branch'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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above to be material weaknesses.

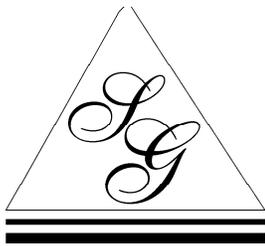
Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of West Branch in a separate letter dated October 26, 2007.

This report is intended solely for the information and use of management, City Council, the Michigan Department of Treasury, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Stephenson, Grain & Co., P.C.*



*Stephenson Gracik & Co., P.C.*

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Herman A Bertuleit, CPA

October 26, 2007

Members of the City Council  
City of West Branch  
Ogemaw County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of West Branch for the year ended June 30, 2007, and have issued our report thereon dated October 26, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated August 30, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the City of West Branch. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

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

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of West Branch are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the City of West Branch during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the City of West Branch's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the City of West Branch, either individually or in the aggregate, indicate matters that could have a significant effect on the City of West Branch's financial reporting process.

Disagreements with Management

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

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Consultations with Other Independent Accountants

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

Issues Discussed Prior to Retention of Independent Auditors

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

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Comments and Recommendations

While reviewing the records of the City of West Branch for the fiscal year ended June 30, 2007, we noted the following matters and other opportunities for increasing the operational efficiency of the City.

Deficit Fund Balances

The City of West Branch's Senior Citizen's Housing Program Fund, Housing Fund, DDA Fund and Senior Center Fund have deficit fund balances at June 30, 2007. Deficit elimination plans need to be filed with the Michigan Department of Treasury as soon as possible.

Financial Statement Preparation

The City of West Branch prepares various financial information throughout the year to assess operations and the financial condition of the City. However, prior to the closing of the year end, various entries material to the financial statements were proposed by our firm. Also, the City relies on our firm to assist in preparing the annual financial report in accordance with Generally Accepted Accounting Principles.

The City of West Branch has individuals on staff to review that the financial report is accurate and the financial information reflects the recording of the proposed entries, however, not to review and determine that the financial report is a complete presentation in accordance with Generally Accepted Accounting Principles. As a result, the City is considered to have a significant control deficiency, since reporting errors or omissions could occur in the preparation of the annual financial report that would be departures from Generally Accepted Accounting Principles and the City would not be in a position to detect the errors or omissions.

Budget Control

We noted that the City's General and Special Revenue Funds included expenditures in some functions that exceeded appropriated amounts as a result of year end audit adjustments. We recommend that the City Council continue to amend the budgets for all funds as needed and take into consideration year end accounts payable and recurring year end audit adjustments.

We would like to thank all of the personnel at the City of West Branch, especially Jane Tennant and Debbie Heisler for their assistance in the completion of our audit.

This information is intended solely for the use of the City Council and management of the City of West Branch and is not intended to be and should not be used by anyone other than these specified parties.

*Stephenson, Grain & Co., P.C.*