

**WEST TRAVERSE TOWNSHIP
EMMET COUNTY, MICHIGAN**

Financial Statements
For the Year Ended
March 31, 2011

Prepared By:

Richard E. Mahlmeister, CPA, PC
580 South Nicolet, P.O.Box 656
Mackinaw City, MI 49701

WEST TRAVERSE TOWNSHIP

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Member:
American Institute of Certified Public Accountants
Michigan Association of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

July 8, 2011

Township Board
West Traverse Township
Emmet County, Michigan

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of *West Traverse Township, Emmet County, Michigan*, as of and for the year ended March 31, 2011, which collectively comprise *West Traverse Township's* basic financial statements as listed in the table of contents. These financial statements are the responsibility of *West Traverse Township's* management. My responsibility is to express opinions on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of *West Traverse Township, Emmet County, Michigan*, as of March 31, 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 6 and 26 through 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Richard E. Mahlmeister, CPA
Richard E. Mahlmeister, CPA, PC

WEST TRAVERSE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2011. Please read it in conjunction with the financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

FINANCIAL HIGHLIGHTS

Government-Wide Highlights

Net assets at March 31, 2011 totaled \$3,590,140, representing an increase of \$54,257 from the previous fiscal year. Governmental activities represented \$61,715 of this increase, while Business-type activities represented a decrease of \$7,458.

Governmental Fund Highlights

The governmental activities of the Township reported combined ending fund balances of \$1,665,249, which represents an increase of \$73,373 from the previous fiscal year.

Capital Assets and Long-term Debt

Capital assets in the amount of \$13,144 were acquired during the fiscal year and the Township does not have any long-term debt. Capital asset and debt activity is addressed further in a subsequent section of this letter.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: 1) management's discussion and analysis; 2) the basic financial statements; and 3) required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

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

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

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

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

WEST TRAVERSE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Township as a whole, using accounting methods used by private companies. The Statement of Net Assets includes all of the Township's assets and liabilities. The Statement of Activities records all of the current year's revenues and expenses, regardless of when received or paid.

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

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

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

Most of the activities are reported as governmental activities. These would include the operations recorded in the General, Road, Thorne Swift Nature Preserve and the Cook Property Funds. Business-type activities include the Water and Sewer Funds.

The comparison of net assets of governmental activities from year to year serves to measure a government's financial position:

**West Traverse Township
Net Assets
March 31,**

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2011	2010	2011	2010	2011	2010
Current assets	\$1,604,017	\$1,532,418	\$168,963	\$144,327	\$1,772,980	\$1,676,745
Capital assets (net)	<u>552,827</u>	<u>564,485</u>	<u>1,281,482</u>	<u>1,310,842</u>	<u>1,834,309</u>	<u>1,875,327</u>
Total assets	<u>2,156,844</u>	<u>2,096,903</u>	<u>1,450,445</u>	<u>1,455,169</u>	<u>3,607,289</u>	<u>3,552,072</u>
Liabilities - all current	<u>12,141</u>	<u>13,915</u>	<u>5,008</u>	<u>2,275</u>	<u>17,149</u>	<u>16,190</u>
Net assets:						
Invested in capital assets	552,827	564,485	1,276,474	1,310,842	1,829,301	1,875,327
Unrestricted	<u>1,591,876</u>	<u>1,518,503</u>	<u>168,963</u>	<u>142,052</u>	<u>1,760,839</u>	<u>1,660,555</u>
	<u>\$2,144,703</u>	<u>\$2,082,988</u>	<u>\$1,445,437</u>	<u>\$1,452,894</u>	<u>\$3,590,140</u>	<u>\$3,535,882</u>

WEST TRAVERSE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

The most significant portion of the Township's Net Assets is the investment in capital assets (e.g. land, buildings, equipment and water and sewer systems), less any related debt that is outstanding that the Township used to acquire or construct the asset. The Township has \$1,760,839 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by policies regarding their use.

The following table summarizes the results of the changes in Net Assets of the Township:

West Traverse Township						
Change in Net Assets						
March 31,						
	GOVERNMENTAL		BUSINESS-TYPE		TOTAL	
	ACTIVITIES	ACTIVITIES	ACTIVITIES	ACTIVITIES	ACTIVITIES	ACTIVITIES
	2011	2010	2011	2010	2011	2010
REVENUES:						
Program revenues:						
Charges for services	\$9,083	7,141	\$92,482	110,329	\$101,565	\$117,470
Operating grants and contributions	1,715	8,478	-	-	1,715	-
General revenues:						
Property taxes	577,233	603,802	-	-	577,233	603,802
State-shared revenues	101,865	94,349	-	-	101,865	94,349
Interest and rental income	19,862	24,278	363	285	20,225	24,563
Other	2,646	775	-	-	2,646	775
Total Revenues	712,404	738,823	92,845	110,614	805,249	840,959
EXPENSES:						
Legislative	18,140	18,194	-	-	18,140	18,194
General government	160,816	146,840	-	-	160,816	146,840
Public safety	85,981	78,200	-	-	85,981	78,200
Public works	281,716	252,223	-	-	281,716	252,223
Recreation and culture	86,869	72,936	-	-	86,869	72,936
Other	5,509	7,938	-	-	5,509	7,938
Unallocated depreciation	11,658	10,720	-	-	11,658	10,720
Sewer expenses	-	-	21,663	16,822	21,663	16,822
Water expenses	-	-	78,640	70,303	78,640	70,303
Total Expenses	650,689	587,051	100,303	87,125	750,992	674,176
Transfers	-	(310,925)	-	310,925	-	-
Net assets:						
Increase (decrease)	61,715	(159,153)	(7,458)	334,414	54,257	175,261
Beginning net assets	2,082,988	2,242,141	1,452,895	1,118,481	3,535,883	3,360,622
Ending net assets	<u>\$2,144,703</u>	<u>\$2,082,988</u>	<u>\$1,445,437</u>	<u>\$1,452,895</u>	<u>\$3,590,140</u>	<u>\$3,535,883</u>

WEST TRAVERSE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

Governmental Activities

The Township is able to report positive balances in net assets. Net assets increased by \$61,715.

Total revenue has declined due to various factors including a decline in property tax values, state shared revenues and interest rates declining on our cash deposit balances. Expenses have increased due to increased contractual costs for fire protection, boardwalk maintenance at the Thorne Swift Nature Preserve, and various road projects undertaken during the current year. These road projects are being paid for from an additional .70 (out of 1.0 possible) voted mill that was collected for the second time this year. This additional mill was re-approved by the voters for four years and its use has been designated by the Township Board for road repairs.

Business-Type Activities

These activities, which include the water and sewer systems, accounted for a decrease of \$7,458 during the year, mainly due to depreciation costs, water hydrant and water reservoir maintenance.

FUND FINANCIAL STATEMENTS

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

The Township has the following types of funds:

Governmental Funds

Most of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

The Township maintains four individual governmental funds; General Fund, Road Fund, Thorne Swift Nature Preserve Fund and Cook Property Fund; of which all but the Cook Property Fund we consider major funds. The Township funds are financed primarily by property tax revenue and state shared revenues.

Fiduciary Funds

The Township acts as a trustee or fiduciary and is responsible for insuring that the assets of these activities are collected and disbursed to the respective entities to which the funds belong. The Township maintains these funds and is responsible for insuring that the assets of these activities are spent for their intended purpose and at the direction of those individuals/organizations to which the funds belongs. These activities do not appear in the Township's government-wide financial statements since the assets do not belong to the Township. The Township maintains a Tax Collection Fund in this category.

WEST TRAVERSE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental Fund Activities

The General Funds had an increase in fund balance, primarily due to controlling expenditures. The Road Fund has a decrease due to various road projects undertaken. The Thorne Swift Nature Preserve Fund and Cook Property Funds remain consistent, as compared to the prior year. The Township continued to provide the same services to its residents: administrative, assessing, elections, township hall maintenance, road maintenance, fire protection, recreational activities and tax collection. The General Fund increased its fund balance by \$86,269, bringing the fund balance to \$1,244,555, the Road Fund decreased its fund balance by \$22,995, bringing the fund balance to \$230,570, the Thorne Swift Nature Preserve Fund increased its fund balance by \$6,782 bringing the fund balance to \$106,093, and the Cook Property Fund increased its fund balance by \$7,341, bringing the fund balance to \$10,658.

Capital Asset and Debt Administration

Capital Assets

At March 31, 2011, the Township's governmental activities had \$552,827 in net capital assets (land, buildings and equipment), and the business-type activities had a total of \$1,281,482 (water and sewer systems); for a total of \$1,834,309. Capital assets purchased in the amount of \$13,144 during the current year were for water system improvements

Long-Term Debt

No new debt was incurred during the year, nor is there any other long-term debt.

BUDGETARY HIGHLIGHTS

Overall there were no significant differences between the original and actual budget for any fund.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

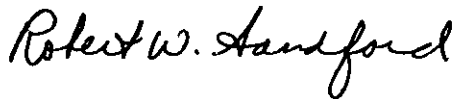
The Township expects financial aspects of governing to be generally the same as in the current year. However, the Township has committed approximately \$110,000 in road projects in the upcoming year

WEST TRAVERSE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONTACTING TOWNSHIP MANAGEMENT

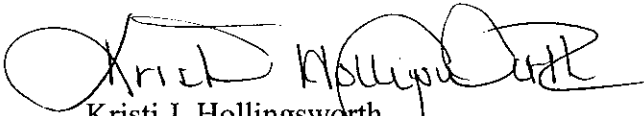
This financial report is designed to provide our citizens, creditors, investors, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for revenues it receives. If you have any questions concerning this report, or need additional information, please contact Robert W. Sandford, Township Supervisor at 231.526.7361 (West Traverse Township Hall).



Robert W. Sandford
West Traverse Township Supervisor



Cynthia L. Fisher
West Traverse Township Clerk



Kristi J. Hollingsworth
West Traverse Township Treasurer

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**WEST TRAVERSE TOWNSHIP
STATEMENT OF NET ASSETS
MARCH 31, 2011**

<u>ASSETS</u>	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
Cash and cash equivalents	\$1,261,582	\$164,393	\$1,425,975
Investments	304,722	-	304,722
Receivables:			
Property taxes	22,866	-	22,866
Accounts	-	4,570	4,570
Due from other governmental units	14,847	-	14,847
Capital assets (net of accumulated depreciation)	552,827	1,281,482	1,834,309
<u>TOTAL ASSETS</u>	2,156,844	1,450,445	3,607,289
<u>LIABILITIES</u>			
Accounts payable	12,141	5,008	17,149
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	552,827	1,276,474	1,829,301
Unrestricted	1,591,876	168,963	1,760,839
TOTAL NET ASSETS	\$2,144,703	\$1,445,437	\$3,590,140

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

FUND FINANCIAL STATEMENTS

**WEST TRAVERSE TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
MARCH 31, 2011**

ASSETS	GENERAL FUND	ROAD FUND	THORNE SWIFT NATURE PRESERVE FUNDS	NON-MAJOR FUND COOK PROPERTY FUND	TOTAL GOVERNMENTAL FUNDS
Cash and cash equivalents	\$924,469	\$221,435	\$105,012	\$10,666	\$1,261,582
Investments	304,722	-	-	-	304,722
Taxes receivable	11,119	9,135	2,612	-	22,866
Receivable from other governments	14,847	-	-	-	14,847
TOTAL ASSETS	\$1,255,157	\$230,570	\$107,624	\$10,666	\$1,604,017
 LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accrued expense	\$10,602	\$ -	\$1,531	\$8	\$12,141
FUND BALANCES					
Reserved by donor	-	-	1,851	-	1,851
Unreserved:					
Designated for:					
Subsequent years' expenditures	13,082	-	4,995	-	18,077
Undesignated	1,231,473	230,570	99,247	10,658	1,571,948
TOTAL FUND BALANCES	1,244,555	230,570	106,093	10,658	1,591,876
TOTAL LIABILITIES AND FUND BALANCES	\$1,255,157	\$230,570	\$107,624	\$10,666	\$1,604,017

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

**WEST TRAVERSE TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
MARCH 31, 2011**

Reconciliation of fund balances on the balance sheets for governmental activities
to the statement of net assets

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$1,591,876

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

Capital assets used in governmental activities are not financial resources and,
therefore, are not reported in the funds.

Add: capital assets	664,628
Subtract: accumulated depreciation	<u>(111,801)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$2,144,703

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

WEST TRAVERSE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2011

	GENERAL FUND	ROAD FUND	THORNE SWIFT NATURE PRESERVE FUND	NON-MAJOR FUND COOK PROPERTY FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes	\$292,037	\$221,821	\$63,375	\$ -	\$577,233
Licenses and permits	4,614	-	-	-	4,614
State shared revenues	95,897	5,968	-	-	101,865
Charges for services	-	-	4,469	-	4,469
Interest and rentals	9,947	1,039	346	8,530	19,862
Donations	-	-	1,715	-	1,715
Other income	2,616	-	-	30	2,646
TOTAL REVENUES	405,111	228,828	69,905	8,560	712,404
EXPENDITURES					
Current:					
Legislative	18,140	-	-	-	18,140
General government	160,816	-	-	-	160,816
Public safety	85,981	-	-	-	85,981
Public works	9,893	271,823	-	-	281,716
Recreation and culture	18,503	-	63,123	5,243	86,869
Other functions	5,509	-	-	-	5,509
TOTAL EXPENDITURES	298,842	271,823	63,123	5,243	639,031
REVENUES OVER (UNDER) EXPENDITURES	106,269	(42,995)	6,782	3,317	73,373
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	20,000	-	-	20,000
Operating transfers (out)	(20,000)	-	-	-	(20,000)
TOTAL OTHER FINANCING SOURCES (USES)	(20,000)	20,000	-	-	-
NET CHANGES IN FUND BALANCES	86,269	(22,995)	6,782	3,317	73,373
FUND BALANCES, BEGINNING OF YEAR	1,158,286	253,565	99,311	7,341	1,518,503
FUND BALANCES, END OF YEAR	\$1,244,555	\$230,570	\$106,093	\$10,658	\$1,665,249

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

WEST TRAVERSE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2011

Reconciliation of statement of revenues, expenditures and changes in fund balances of governmental funds to statement of activities

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$73,373

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

Governmental funds report capital outlays as expenditures. However, those costs are allocated over their useful lives as annual depreciation expense in the statement of activities.

Add: capital outlay capitalized during the current year	-
Subtract: depreciation expense	<u>(11,658)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$61,715

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

**WEST TRAVERSE TOWNSHIP
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 MARCH 31, 2011**

<u>ASSETS</u>	SEWER FUND	WATER FUND	TOTAL
CURRENT ASSETS:			
Cash and cash equivalents	\$134,763	\$29,630	\$164,393
Accounts receivable	-	4,570	4,570
TOTAL CURRENT ASSETS	134,763	34,200	168,963
CAPITAL ASSETS			
Land rights	3,489	-	3,489
Sewer system	482,256	-	482,256
Water system	-	1,341,060	1,341,060
Less: accumulated depreciation	(370,956)	(174,367)	(545,323)
NET CAPITAL ASSETS	114,789	1,166,693	1,281,482
<u>TOTAL ASSETS</u>	<u>\$249,552</u>	<u>\$1,200,893</u>	<u>\$1,450,445</u>
<u>LIABILITIES AND NET ASSETS</u>			
LIABILITIES - ALL CURRENT:			
Accounts payable	\$399	\$4,609	\$5,008
NET ASSETS:			
Invested in capital assets, net of related debt	114,390	1,162,084	1,276,474
Unrestricted	134,763	34,200	168,963
TOTAL NET ASSETS	<u>\$249,153</u>	<u>\$1,196,284</u>	<u>\$1,445,437</u>

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

WEST TRAVERSE TOWNSHIP
PROPRIETARY FUNDS
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2011

	SEWER FUND	WATER FUND	TOTAL
OPERATING REVENUES			
Service fees	\$14,417	\$78,065	\$92,482
OPERATING EXPENSES			
Cost of water	-	15,460	15,460
Salaries and wages	-	46	46
fringe benefits	-	4	4
Contractual services	4,501	13,139	17,640
Insurance	131	866	997
Maintenance/repairs	2,827	5,676	8,503
Other supplies and expenses	23	4,946	4,969
Utilities	2,008	8,172	10,180
Depreciation	12,173	30,331	42,504
TOTAL OPERATING EXPENSES	21,663	78,640	100,303
OPERATING INCOME (LOSS)	(7,246)	(575)	(7,821)
NON-OPERATING REVENUES (EXPENSES)			
Interest income	315	48	363
CHANGE IN NET ASSETS	(6,931)	(527)	(7,458)
NET ASSETS, BEGINNING OF YEAR	256,084	1,196,811	1,452,895
NET ASSETS, END OF YEAR	\$249,153	\$1,196,284	\$1,445,437

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

**WEST TRAVERSE TOWNSHIP
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED MARCH 31, 2011**

	SEWER FUND	WATER FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$15,381	\$78,011	\$93,392
Cash paid for employees wages and benefits	-	50	50
Payments for operating expenses	(9,449)	(45,666)	(55,115)
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,932	32,395	38,327
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	-	(13,144)	(13,144)
NET CASH PROVIDED (USED) IN CAPITAL AND RELATED FINANCING ACTIVITIES	-	(13,144)	(13,144)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest/investment earnings	315	48	363
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,247	19,299	25,546
CASH AND CASH EQUIVALENTS: BEGINNING OF YEAR	128,516	10,331	138,847
END OF YEAR	\$134,763	\$29,630	\$164,393
RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES			
Operating income (loss)	(\$7,246)	(\$575)	(\$7,821)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation	12,173	30,331	42,504
Changes in assets and liabilities:			
Receivables	964	(54)	910
Accounts payable	41	2,693	2,734
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$5,932	\$32,395	\$38,327

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

**WEST TRAVERSE TOWNSHIP
STATEMENT OF FIDUCIARY NET ASSETS
TAX COLLECTION FUND
MARCH 31, 2011**

<u>ASSETS</u>	<u>AGENCY FUND</u>
Cash	\$ -
<u>LIABILITIES</u>	
Due to other funds	-
<u>NET ASSETS</u>	
Fiduciary Net Assets	\$ -

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

WEST TRAVERSE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of West Traverse Township, Emmet County, Michigan conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by West Traverse Township.

A. Reporting Entity

The Township is governed by an elected five-member Township Board. Generally accepted accounting principles require that if the Township has certain oversight responsibilities over other organizations, those organizations should be included in the Township's financial statements. The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The Township has determined that no entities should be consolidated into its financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements: The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements.

Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

The proprietary funds use the accrual basis of accounting and are accounted for on a cost-of-service or "capital maintenance" measurement focus. Under the capital maintenance measurement focus, all assets and liabilities associated with the fund's activities are included on its balance sheet. Under the accrual basis, revenues are recognized when earned and expenses are recognized when they are incurred. Principal operating revenues for proprietary funds are charges to customers for sales or services.

WEST TRAVERSE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

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

Fund Financial Statements: Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria, based on percentage of the assets, liabilities, revenues or expenditures/expenses of the governmental and proprietary funds, for the determination of major funds.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

WEST TRAVERSE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

The Township reports the following major governmental funds:

General Fund: The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. Financing is provided primarily by property taxes and state shared revenues.

Thorne Swift Nature Preserve Fund: The Thorne Swift Nature Preserve Fund is used to account for revenues and expenditures related to operating the nature preserve. Financing is provided primarily by a special property tax levy.

The Township reports the following nonmajor fund:

Cook Property Fund - The Cook Property Fund is used to account for revenues and expenditures related to operating a rental unit and maintaining property used for recreational and future expansion. Financing is provided primarily from revenues generated by a rental unit.

The Township reports the following major proprietary funds:

Sewer Fund: This fund accounts primarily for the activities of the sewer department system. This fund is financed primarily by user fees.

Water Fund: This fund accounts primarily for the activities of the water department system. This fund is financed primarily by user fees.

The Township reports the following fiduciary fund:

Trust and Agency Fund: Tax Collection Fund is used to account for property taxes collected for the Township and as an agent for other governmental units. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments: Cash and cash equivalents consist of demand deposits, cash in savings and money market accounts. Investments are stated at cost, which approximates market, and consist of certificates of deposit with maturity values of three months or longer.

Receivables, Payables and Transfers: All receivables are reported at their gross values. Inter-fund receivables and payables arise from inter-fund transactions and are recorded by all funds affected in the period in which transactions are executed.

WEST TRAVERSE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Liabilities, and Net Assets or Equity – Continued

In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.” Receivable from other governments represents various shared revenues, grants, and reimbursements from other governments.

Property Taxes: Property tax revenues for the year ended March 31, 2011, reflected in the accompanying financial statements include property taxes levied December 31, 2010. These taxes are due by February 15, 2011, and are added to the County tax rolls after February 28, 2011. The Township received 100% payment for the delinquent tax by June 30, 2011.

The taxable value of the Township totaled \$297,838,795, on which ad valorem taxes consisted of .7 mills for the Township's operating purposes, .7 mills for additional operating purposes to be used for roads, and .20 mills to be used for the Thorne Swift Nature Preserve, raising \$221,249 for general operating purposes, \$221,821 for roads and \$63,375 for recreational purposes.

Capital Assets: Capital assets which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are generally defined by the government as assets with an initial individual cost of \$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. Expenditures for maintenance and repair are charged to current expenditures as incurred. Depreciation is computed using the straight-line method.

When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements	20 to 40 years
Furniture and equipment	5 to 20 years
Water and Sewer Systems	20 to 50 years
Leasehold improvements	20 to 40 years

Compensated Absences and Post-employment Benefits: There is no accumulated vacation, sick leave or post-employment benefits to be recognized.

Long-term Obligations: In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Issuance costs are reported as debt service expenditures. The Township has no long-term obligations as of March 31, 2011.

WEST TRAVERSE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Liabilities, and Net Assets or Equity – Continued

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

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budgetary Information: Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing on April 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to March 31, the budget is legally enacted through passage of a resolution.
4. Budgeted amounts are as originally adopted, or as amended by the Township Board.
5. Appropriations expire at the end of the fiscal year.

The Township Board's budgetary procedures are in compliance with P.A 621 of 1978 (The Uniform Budgeting Act).

NOTE 3: DEPOSITS AND INVESTMENTS

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

The Township Board has designated six financial institutions for the deposit of Township funds. The investment policy adopted by the board, in accordance with Public Act 196 of 1997, has authorize investments in bank accounts and CDs, but not the remainder of State statutory authority as listed above.

WEST TRAVERSE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 3: DEPOSITS AND INVESTMENTS - CONTINUED

The Local Governmental Unit's deposits and investment policy are in accordance with statutory authority

The caption on the statement of net assets relating to cash and cash equivalents and investments represent deposits in varying amounts as follows:

Cash and cash equivalents	\$1,425,975
Investments (certificates of deposit)	<u>304,722</u>
	<u>\$1,730,697</u>

The Township pools cash in common bank accounts to maximize its investment return. The equity of each fund in the common accounts as follows:

General Fund	\$682,841
Road Fund	172
Thorne Swift Nature Preserve Fund	104,512
Cook Property Fund	10,666
Sewer Fund	27,289
Water	<u>29,630</u>
	<u>\$855,110</u>

Interest Rate Risk: State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The Township's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk: The Township's investment policy does not have specific limits in excess of state law on investment credit risk. The Township has no investments for which ratings are required.

Custodial Credit Risk: At year-end the carrying amounts of cash and cash equivalents were classified as to risk as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Ininsured	\$1,584,556	\$1,593,312
Uninsured – uncollateralized	<u>146,141</u>	<u>145,641</u>
	<u>\$1,730,697</u>	<u>\$1,738,953</u>

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated level of risk are used as depositories. The Township may experience significant fluctuations in deposit balances through the year.

WEST TRAVERSE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 4: INTERFUND BALANCES AND TRANSFERS

Interfund transfers consisted of the following for the year ended March 31, 2011:

<u>Fund</u>	<u>Transfer Out</u>	<u>Transfer In</u>
General Fund	\$20,000	\$ -
Road Fund	-	20,000
Total	<u>\$20,000</u>	<u>\$20,000</u>

Transfers are used to (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them, (2) use unrestricted resources collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

There were no interfund balances at March 31, 2011.

NOTE 5: CAPITAL ASSETS

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

<u>Governmental Activities</u>	<u>Balance April 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2011</u>
<u>Not being depreciated:</u>				
Land and land rights	\$400,604	\$ -	\$ -	\$400,604
<u>Being Depreciated:</u>				
Building and Improvements	126,622	-	-	126,622
Leasehold Improvements	92,917	-	-	92,917
Equipment	44,485	-	-	44,485
Subtotal	664,628	-	-	664,628
Less accumulated depreciation	(100,143)	(11,658)	-	(111,801)
Total	<u>\$564,485</u>	<u>(\$11,658)</u>	<u>\$ -</u>	<u>\$552,827</u>

Depreciation was charged to the Township's governmental activities as follows:

Unallocated	<u>\$11,658</u>
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WEST TRAVERSE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 5: CAPITAL ASSETS - CONTINUED

Capital asset activity of the business-type activities for the current year was as follows:

<u>Business-type Activities</u>	<u>Balance April 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2011</u>
<u>Not being depreciated:</u>				
Land and land rights	\$3,489	\$ -	\$ -	\$3,489
Construction in Progress-water	566,942	13,144	-	580,086
<u>Being depreciated:</u>				
Sewer system	482,256	-	-	482,256
Water system	760,974	-	-	760,974
Subtotal	1,813,661	13,144	-	1,826,805
Less accumulated depreciation	(502,,819)	(42,504)	-	(545,323)
Total	<u>\$1,310,842</u>	<u>(\$29,360)</u>	<u>\$ -</u>	<u>\$1,281,482</u>

Depreciation was charged to the Township's business-type activities as follows:

Sewer	\$12,173
Water	30,331
	<u>\$42,504</u>

NOTE 6: LEASE OBLIGATIONS

The Township has a lease with the Little Traverse Conservancy, Inc. for the Thorne Swift Nature Preserve. Under terms of the lease, the Township contributed \$38,000 to assist in developing the Preserve. Further, the Township is to operate and maintain the preserve at its expense, which is in lieu of rent. A special property tax levy has been approved by Township voters of 0.25 mills to defray such costs. Upon any termination of the lease, the Conservancy obtains the rights to all leasehold improvements. The current lease extension is through November 8, 2011.

NOTE 7: LEASING ARRANGEMENTS

The Township owns and currently leases one house, which is included in the Cook Property Fund. The lease is renewed annually. The home is on property the Township owns that is for planned future Township government development.

Future minimum lease payments, as of March 31, 2011 from the lessee for next year ending March 31, 2012 are approximately \$8,400.

WEST TRAVERSE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 8: RISK MANAGEMENT

West Traverse Township participates in the Michigan Township Participating Plan for general liability, property loss, professional, public official errors and omissions liabilities. This plan is a self-insurance risk association operating within the State of Michigan pursuant to Act 138, Michigan Public Acts of 1982. This plan, through its risk manager, secures insurance policies or reinsurance treaties to cover the risks undertaken on behalf of the Township. The Township pays an annual premium to the Michigan Participating Plan for its general insurance coverage and has no additional liability beyond the premiums made to this plan.

The plan has a maximum liability for property of \$1,674,411, general liability of \$5,000,000, wrongful acts of \$5,000,000, crime of \$10,000, EDP of \$18,700, automobile of \$5,000,000, inland marine liability of \$153,183, boiler of \$2,000,000, and bonding for public official's errors and omissions. Additionally, the Township has purchased commercial insurance for workman's compensation benefits.

Claims for commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 9: COMMITMENTS

Road Construction: The Township is committed under contracts for road improvements in the approximate amount of \$110,000.

Harbor Springs Area Sewage Disposal Authority: The Authority operates the Township's sewage system. The Township reimburses the Authority for costs it incurs which, according to the agreement, will be substantially all operating costs.

NOTE 10: CONTINGENCIES

The Township is contingently liable under an operating agreement with the City of Harbor Springs and Friendship Township for a portion of the costs of monitoring and remediation of environmental issues arising from the closure of a solid-waste landfill located within the township as a possible source of drinking water contamination. However studies to-date is inconclusive. Thus no provision has been made for any potential liability related to the landfill.

REQUIRED SUPPLEMENTARY INFORMATION

**WEST TRAVERSE TOWNSHIP
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2011**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes:				
Property tax	\$221,460	\$221,460	\$221,249	(\$211)
Property taxes - administrative fee	66,000	66,000	67,112	1,112
Penalties and interest	6,000	6,000	3,676	(2,324)
Total taxes	293,460	293,460	292,037	(1,423)
Licenses and permits:				
Zoning permits	5,000	5,000	4,614	(386)
Total state shared revenues	80,000	80,000	95,897	15,897
Interest	12,000	12,000	9,947	(2,053)
Other revenue:				
Other	2,500	2,500	2,616	116
TOTAL REVENUES	392,960	392,960	405,111	12,151

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

**WEST TRAVERSE TOWNSHIP
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2011**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
LEGISLATIVE				
Township board	\$24,000	\$24,000	\$18,140	\$5,860
GENERAL GOVERNMENT				
Supervisor	17,000	17,000	16,028	972
Assessor	38,000	38,000	36,742	1,258
Elections	9,000	9,000	6,305	2,695
Professional services	8,000	8,000	4,997	3,003
Board of Review	3,000	3,000	2,046	954
Clerk	19,000	19,000	16,085	2,915
Treasurer	27,000	27,000	24,732	2,268
Office manager/secretary	30,600	30,600	28,442	2,158
Information technology	6,000	6,000	4,269	1,731
Township property	23,500	23,500	21,170	2,330
TOTAL GENERAL GOVERNMENT	181,100	181,100	160,816	20,284
PUBLIC SAFETY				
Fire protection	50,000	53,400	53,329	71
Zoning	16,000	16,000	14,181	1,819
Planning commission	21,000	21,000	18,471	2,529
TOTAL PUBLIC SAFETY	87,000	90,400	85,981	4,419
PUBLIC WORKS				
Airport authority	9,500	9,500	8,340	1,160
Sanitation and other	3,000	3,000	902	2,098
Other	800	800	651	149
TOTAL PUBLIC WORKS	13,300	13,300	9,893	3,407
RECREATION AND CULTURE				
Library	4,700	4,800	6,075	(1,275)
Recreation	14,000	14,000	12,428	1,572
TOTAL RECREATION AND CULTURE	18,700	18,800	18,503	297
OTHER FUNCTIONS				
Insurance and bonds	9,000	9,000	5,509	3,491
CONTINGENCY	1,000	1,000	-	1,000
TOTAL EXPENDITURES	334,100	337,600	298,842	38,758
REVENUES OVER (UNDER) EXPENDITURES	58,860	55,360	106,269	50,909

**WEST TRAVERSE TOWNSHIP
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2011**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	(\$120,000)	(\$120,000)	(\$20,000)	\$100,000
NET CHANGE IN FUND BALANCE	(61,140)	(64,640)	86,269	150,909
FUND BALANCE - BEGINNING OF YEAR	1,158,286	1,158,286	1,158,286	-
FUND BALANCE - END OF YEAR	<u>\$1,097,146</u>	<u>\$1,093,646</u>	<u>\$1,244,555</u>	<u>\$150,909</u>

**WEST TRAVERSE TOWNSHIP
BUDGETARY COMPARISON SCHEDULE -
ROAD FUND
FOR THE YEAR ENDED MARCH 31, 2011**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Property tax	\$221,460	\$221,460	\$221,821	\$361
State shared revenue - METRO Act	6,000	6,000	5,968	(32)
Interest income	500	500	1,039	539
TOTAL REVENUES	227,960	227,960	228,828	868
EXPENDITURES:				
Current:				
Public works	375,000	375,000	271,823	103,177
TOTAL EXPENDITURES	375,000	375,000	271,823	103,177
REVENUES OVER (UNDER) EXPENDITURES	(147,040)	(147,040)	(42,995)	104,045
OTHER FINANCING SOURCES				
Operating transfer in	120,000	120,000	20,000	(100,000)
TOTAL OTHER FINANCING SOURCES (USES)	120,000	120,000	20,000	(100,000)
NET CHANGE IN FUND BALANCE	(27,040)	(27,040)	(22,995)	4,045
FUND BALANCE, BEGINNING OF YEAR	253,565	253,565	253,565	-
FUND BALANCE, END OF YEAR	\$226,525	\$226,525	\$230,570	\$4,045

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

**WEST TRAVERSE TOWNSHIP
BUDGETARY COMPARISON SCHEDULE -
THORNE SWIFT NATURE PRESERVE FUND
FOR THE YEAR ENDED MARCH 31, 2011**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Property tax	\$62,460	\$62,460	\$63,375	\$915
Charges for services	3,000	3,000	4,469	1,469
Interest and rentals	300	300	346	46
Donations	1,000	1,000	1,715	715
TOTAL REVENUES	66,760	66,760	69,905	3,145
EXPENDITURES:				
Current:				
Recreation and culture	74,300	74,310	63,123	11,187
TOTAL EXPENDITURES	74,300	74,310	63,123	11,187
NET CHANGE IN FUND BALANCE	(7,540)	(7,550)	6,782	14,332
FUND BALANCE, BEGINNING OF YEAR	99,311	99,311	99,311	-
FUND BALANCE, END OF YEAR	\$91,771	\$91,761	\$106,093	\$14,332

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

July 8, 2011

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Township Board
West Traverse Township
Emmet County, Michigan

I have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Traverse Township for the year ended March 31, 2011. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated June 7, 2011. Professional standards also require that I communicate to you the following information related to my audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by West Traverse Township 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 ended March 31, 2011. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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. The most sensitive estimate affecting the financial statements was the determination of depreciation expense. Management's estimate of depreciation expense is based on the estimated lives of the capital assets. I evaluated the key factors and assumptions used to develop depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

I have requested certain representations from management that are included in the management representation letter dated July 8, 2011.

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

Other Audit Findings or Issues

Auditing standards require me to report to you significant audit findings or issues. Following are the significant findings I noted during my audit:

- West Traverse Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, and to present required financial statement disclosures. However, small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year-end financial statements.

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

West Traverse Township

July 8, 2011

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

Sincerely,

Richard E. Mahlmeister, CPA

Richard E. Mahlmeister, CPA

Richard E. Mahlmeister, CPA, PC

July 8, 2011

COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES IN
INTERNAL CONTROL AND OTHER MATTERS

Township Board
West Traverse Township
Emmet County, Michigan

In planning and performing my audit of the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Traverse Township as of and for the year ended March 31, 2011, in accordance with auditing standards generally accepted in the United States of America, I considered West Traverse Township's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of West Traverse Township's internal control. Accordingly, I do not express an opinion on the effectiveness of West Traverse Township's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, I identified a certain deficiency in internal control that I consider to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the following deficiency in West Traverse Township's internal control to be a material weakness:

Financial Statement Preparation

West Traverse Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, and to present required financial statement disclosures.

West Traverse Township

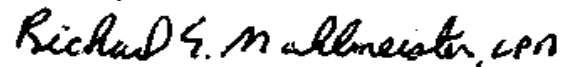
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However, small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year-end financial statements.

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

Sincerely,

A handwritten signature in black ink that reads "Richard E. Mahlmeister, CPA". The signature is written in a cursive style.

Richard E. Mahlmeister, CPA

Richard E. Mahlmeister, CPA, PC