

TOWNSHIP OF SAGE
Gladwin County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2012

TOWNSHIP OF SAGE
Gladwin County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA

512 N. LINCOLN AVE. - SUITE 100
P. O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494
campbell.co@sbcglobal.net

INDEPENDENT AUDITOR'S REPORT

April 30, 2012

To the Township Board
Township of Sage
Gladwin County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Sage, Gladwin County, Michigan as of and for the year ended March 31, 2012, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Sage's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Sage, Gladwin County, Michigan as of March 31, 2012, and the respective changes in financial position thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



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

TOWNSHIP OF SAGE
Gladwin County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended March 31, 2012

The Management's Discussion and Analysis report of the Township of Sage covers the Township's financial performance during the year ended March 31, 2012.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2012, totaled \$933,684.09 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were \$467,177.30 from governmental activities. Governmental activities had a \$53,410.36 decrease in net assets.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

ENTITY-WIDE FINANCIAL STATEMENTS

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

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

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

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

All of the activities of the Township are reported as governmental activities. This includes the General Fund.

FUND FINANCIAL STATEMENTS

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

TOWNSHIP OF SAGE
Gladwin County, Michigan

CONDENSED FINANCIAL INFORMATION

For the year ended March 31, 2012

	<u>Total</u> Governmental Activities 2011	<u>Total</u> Governmental Activities 2012
Current Assets	402 036	359 200
Capital Assets	<u>585 058</u>	<u>576 479</u>
Total Assets	<u>987 094</u>	<u>935 679</u>
Current Liabilities	-	1 995
Non-current Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>1 995</u>
Net Assets:		
Invested in Capital Assets	585 058	576 479
Unrestricted	<u>402 036</u>	<u>357 205</u>
Total Net Assets	<u><u>987 094</u></u>	<u><u>933 684</u></u>

	<u>Total</u> Governmental Activities 2011	<u>Total</u> Governmental Activities 2012
Program Revenues:		
Fees and Charges for Services	232 912	228 099
General Revenues:		
Property Taxes	60 389	60 809
Other Taxes	317	254
State Revenue Sharing	173 733	172 040
Interest	1 026	490
Miscellaneous	<u>4 546</u>	<u>5 484</u>
Total Revenues	<u>472 923</u>	<u>467 176</u>
Program Expenses:		
Legislative	19 414	20 816
General Government	108 105	114 686
Public Safety	91 567	88 271
Public Works	261 000	296 569
Culture and Recreation	<u>824</u>	<u>246</u>
Total Expenses	<u>480 910</u>	<u>520 588</u>
Change in Net Assets	(7 987)	(53 412)
Net Assets, April 1	<u>995 083</u>	<u>987 096</u>
Net Assets, March 31	<u><u>987 096</u></u>	<u><u>933 684</u></u>

TOWNSHIP OF SAGE
Gladwin County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended March 31, 2012

FUND FINANCIAL STATEMENTS (continued)

The Township has the following types of funds:

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

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position for the governmental activities remain strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The Township had General Fund revenues in deficiency of expenditures for the year in the amount of \$44,830.49.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income. We continue to grow in taxable value.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report, please contact the Township Clerk or Township Treasurer at 1831 Pratt Lake Road, Gladwin, Michigan 48624.

TOWNSHIP OF SAGE
Gladwin County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2012

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	332 658 35
Taxes receivable	<u>26 541 86</u>
Total Current Assets	<u>359 200 21</u>
NONCURRENT ASSETS:	
Capital Assets	676 598 34
Less: Accumulated Depreciation	<u>(100 119 48)</u>
Net Capital assets	<u>576 478 86</u>
TOTAL ASSETS	<u><u>935 679 07</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>1 994 48</u>
Total Current Liabilities	<u>1 994 98</u>
NONCURRENT LIABILITIES	<u>-</u>
Total Noncurrent Liabilities	<u>-</u>
Total Liabilities	<u>1 994 98</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	576 478 86
Unrestricted	<u>357 205 23</u>
Total Net Assets	<u>933 684 09</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>935 679 07</u></u>

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

TOWNSHIP OF SAGE
Gladwin County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Year ended March 31, 2012

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	20 815 64	-	(20 815 64)
General government	114 685 90	12 472 00	(102 213 90)
Public safety	88 270 63	78 074 94	(10 195 69)
Public works	296 569 49	137 552 18	(159 017 31)
Culture and recreation	246 00	-	(246 00)
Total Governmental Activities	<u>520 587 66</u>	<u>228 099 12</u>	<u>(292 488 54)</u>
General Revenues:			
Property taxes			60 808 72
Other taxes			254 50
State revenue sharing			172 039 97
Interest			490 22
Miscellaneous			<u>5 484 77</u>
Total General Revenues			<u>239 078 18</u>
Change in net assets			(53 410 36)
Net assets, beginning of year			<u>987 094 45</u>
Net Assets, End of Year			<u>933 684 09</u>

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

TOWNSHIP OF SAGE
Gladwin County, Michigan

BALANCE SHEET – GOVERNMENTAL FUND

March 31, 2012

	<u>General</u>
<u>Assets</u>	
Cash in bank	331 791 46
Taxes receivable	26 541 86
Due from other funds	<u>866 89</u>
Total Assets	<u><u>359 200 21</u></u>
<u>Liabilities and Fund Equity</u>	
Liabilities:	
Accounts payable	<u>1 994 98</u>
Total liabilities	<u>1 994 98</u>
Fund equity:	
Fund balances:	
Unassigned	<u>357 205 23</u>
Total fund equity	<u>357 205 23</u>
Total Liabilities and Fund Equity	<u><u>359 200 21</u></u>

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

TOWNSHIP OF SAGE
Gladwin County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUND
TO THE STATEMENT OF NET ASSETS
March 31, 2012

TOTAL FUND BALANCE – GOVERNMENTAL FUND	357 205 23
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund balance sheet:	
Capital assets at cost	676 598 34
Accumulated depreciation	<u>(100 119 48)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>933 684 09</u>

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

TOWNSHIP OF SAGE
Gladwin County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUND
Year ended March 31, 2012

	General
Revenues:	
Property taxes	60 808 72
Other taxes	254 50
Charges for services	6 822 00
Licenses and permits	2 487 50
State revenue sharing	172 039 97
Interest	490 22
Rent	5 650 00
Special assessments	213 139 62
Miscellaneous	5 484 77
Total revenues	467 177 30
Expenditures:	
Legislative:	
Township Board	20 815 64
General government:	
Supervisor	7 200 00
Elections	2 818 94
Assessor	34 725 56
Clerk	10 866 88
Board of Review	2 350 00
Treasurer	18 827 50
Building and grounds	29 317 15
Public safety:	
Fire protection	76 687 44
Planning and zoning	11 583 19
Public works:	
Highways and streets	121 725 95
Sanitation	149 623 54
Dam	25 220 00
Culture and recreation:	
Parks and recreation	246 00
Total expenditures	512 007 79
Excess (deficiency) of revenues over expenditures	(44 830 49)
Fund balance, April 1, 2011	402 035 72
Fund Balance, March 31, 2012	357 205 23

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

TOWNSHIP OF SAGE
Gladwin County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2012

NET CHANGE IN FUND BALANCE – TOTAL GOVERNMENTAL FUND (44 830 49)

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

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Capital outlay	-
Depreciation Expense	<u>(8 579 87)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (53 410 36)

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

TOWNSHIP OF SAGE
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2012

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Sage, Gladwin County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

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

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

Joint Venture

The Township and the Townships of Buckeye, Hay, Gladwin, Grout and Sherman and the City of Gladwin jointly formed the Gladwin Rural Urban Fire Protection District to provide fire protection service for the seven local governmental units. For the fiscal year ended March 31, 2012, the Township of Sage paid \$75,587.44 to the Fire District. The Fire District is not considered a part of the reporting entity of the Township of Sage. Separate financial statements of the Fire District may be obtained directly from their office at 710 East Cedar Avenue, Gladwin, Michigan.

Government-Wide and Fund Financial Statements

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

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

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

TOWNSHIP OF SAGE
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

Governmental Funds

General Fund

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

Fiduciary Fund

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

Assets, Liabilities and Net Assets or Equity

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

Receivables

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

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes are accrued in the year in which they are levied. The tax levy is recorded as deferred revenue until the subsequent year when it becomes available for use.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2011 tax roll millage rate was .7686 mills, and the taxable value was \$79,105,763.00.

Encumbrances

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

TOWNSHIP OF SAGE
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	40-60 years
Furniture and equipment	20 years

Compensated Absences (Vacation and Sick Leave)

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

Post-employment Benefits

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

Fund Equity

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

Note 2 – Budgets and Budgetary Accounting

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

Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.

The proposed budgets include expenditures as well as the methods of financing them.

Public hearings are held to obtain taxpayer comments.

The budgets are adopted at the activity level by a majority vote of the Township Board.

The budgets are adopted on the modified accrual basis of accounting.

The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.

The adopted budgets are used as a management control device during the year for all budgetary funds.

Budget appropriations lapse at the end of each fiscal year.

The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

TOWNSHIP OF SAGE
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

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

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

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

	<u>Carrying Amounts</u>
Total Deposits	<u>332 658 35</u>

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

	<u>Bank Balances</u>
Insured (FDIC)	250 000 00
Uninsured and Uncollateralized	<u>83 179 93</u>
Total Deposits	<u>333 179 93</u>

The Township of Sage did not have any investments as of March 31, 2012.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds are the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

TOWNSHIP OF SAGE
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

Note 3 – Deposits and Investments (continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

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

	<u>Balance</u> 4/1/11	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 3/31/12
<u>Governmental Activities:</u>				
Land	191 855 00	-	-	191 855 00
Buildings	472 743 34	-	-	472 743 34
Equipment	<u>12 000 00</u>	<u>-</u>	<u>-</u>	<u>12 000 00</u>
Total	676 598 34	-	-	676 598 34
Accumulated Depreciation	<u>(91 539 61)</u>	<u>(8 579 87)</u>	<u>-</u>	<u>(100 119 48)</u>
Net Capital Assets	<u>585 058 73</u>	<u>(8 579 87)</u>	<u>-</u>	<u>576 478 86</u>

Note 5 – Pension Plan

The Township has a defined contribution pension plan covering all elected officers and full-time employees. The Township contributes 6.2% of each covered employee's wages to the plan. Each covered employee also contributes 6.2% of their wages to the plan. The net pension expense for the fiscal year ended March 31, 2012, was \$2,152.93.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

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

TOWNSHIP OF SAGE
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2012

Note 8 – Building Permits

The Township of Sage does not issue building permits. Building permits are issued by the County of Gladwin.

TOWNSHIP OF SAGE
Gladwin County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

Year ended March 31, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	77 500 00	85 473 00	60 808 72	(24 664 28)
Other taxes	360 00	360 00	254 50	(105 50)
Charges for services	6 000 00	6 822 00	6 822 00	-
Licenses and permits	3 265 00	3 265 00	2 487 50	(777 50)
State revenue sharing	150 000 00	168 400 00	172 039 97	3 639 97
Interest	1 500 00	1 500 00	490 22	(1 009 78)
Rent	10 000 00	10 000 00	5 650 00	(4 350 00)
Special assessments	211 550 00	211 550 00	213 139 62	1 589 62
Miscellaneous	<u>13 850 00</u>	<u>18 055 00</u>	<u>5 484 77</u>	<u>(12 570 23)</u>
Total revenues	<u>474 025 00</u>	<u>505 425 00</u>	<u>467 177 30</u>	<u>(38 247 70)</u>
Expenditures:				
Legislative:				
Township Board	115 372 00	120 227 00	20 815 64	(99 411 36)
General government:				
Supervisor	6 200 00	7 200 00	7 200 00	-
Elections	3 250 00	2 830 00	2 818 94	(11 06)
Assessor	35 592 00	35 802 00	34 725 56	(1 076 44)
Clerk	10 000 00	10 875 00	10 866 88	(8 12)
Board of Review	2 300 00	2 650 00	2 350 00	(300 00)
Treasurer	18 700 00	19 700 00	18 827 50	(872 50)
Building and grounds	55 500 00	58 375 00	29 317 15	(29 057 85)
Public safety:				
Fire protection	159 172 00	164 297 00	76 687 44	(87 609 56)
Planning and zoning	33 050 00	32 700 00	11 583 19	(17 776 46)
Public works:				
Highways and streets	158 480 00	158 480 00	121 725 95	(36 754 05)
Sanitation	167 500 00	167 400 00	149 623 54	(21 116 81)
Dam	12 500 00	25 220 00	25 220 00	-
Culture and recreation:				
Parks and recreation	4 550 00	4 550 00	246 00	(4 304 00)
Contingency	<u>86 986 26</u>	<u>90 246 26</u>	<u>-</u>	<u>(90 246 26)</u>
Total expenditures	<u>869 152 26</u>	<u>900 552 26</u>	<u>512 007 79</u>	<u>(388 544 47)</u>
Excess (deficiency) of revenues over expenditures	(395 127 26)	(395 127 26)	(44 830 49)	350 296 77
Fund balance, April 1, 2011	<u>395 127 26</u>	<u>395 127 26</u>	<u>402 035 72</u>	<u>6 908 46</u>
Fund Balance, March 31, 2012	<u>-</u>	<u>-</u>	<u>357 205 23</u>	<u>357 205 23</u>

TOWNSHIP OF SAGE
Gladwin County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT

Year ended March 31, 2012

Township Board:	
Wages	2 900 00
Audit and accounting	3 000 00
Memberships and dues	1 576 42
Printing and publishing	1 376 95
Insurance	5 196 00
Supplies	1 786 20
Payroll taxes	1 928 98
Pension	2 152 93
Miscellaneous	898 16
	<u>20 815 64</u>
Supervisor:	
Salary	7 200 00
	<u>7 200 00</u>
Elections:	
Wages	1 753 00
Supplies	1 065 94
	<u>2 818 94</u>
Assessor:	
Contracted services	27 921 60
Wages	1 000 00
Equalization	5 586 52
Miscellaneous	217 44
	<u>34 725 56</u>
Clerk:	
Salary	10 500 00
Miscellaneous	366 88
	<u>10 866 88</u>
Board of Review:	
Wages	2 350 00
	<u>2 350 00</u>
Treasurer:	
Salary	15 800 00
Miscellaneous	3 027 50
	<u>18 827 50</u>
Building and grounds:	
Supplies	1 526 40
Utilities	8 541 78
Custodian	5 784 00
Repairs and maintenance	13 366 26
Miscellaneous	98 71
	<u>29 317 15</u>
Fire protection:	
Wages	1 100 00
Contracted services	75 587 44
	<u>76 687 44</u>
Planning and zoning:	
Wages	8 433 26
Contracted services	1 761 42
Permit fees	555 00
Printing and publishing	276 40
Miscellaneous	557 11
	<u>11 583 19</u>

TOWNSHIP OF SAGE
Gladwin County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2012

Highways and streets	<u>121 725 95</u>
Sanitation:	
Contracted services	145 928 54
Compost site	<u>3 695 00</u>
	<u>149 623 54</u>
Dam	<u>25 220 00</u>
Parks and recreation:	
Repairs and maintenance	<u>246 00</u>
Total Expenditures	<u><u>512 007 79</u></u>

TOWNSHIP OF SAGE
Gladwin County, Michigan

CURRENT TAX COLLECTION FUND STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2012

	<u>Balance 4/1/11</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/12</u>
<u>Assets</u>				
Cash in Bank	<u>1 121 18</u>	<u>2 563 140 29</u>	<u>2 563 394 58</u>	<u>866 89</u>
<u>Liabilities</u>				
Due to other funds	1 121 18	248 163 28	248 417 57	866 89
Due to others	<u>-</u>	<u>2 314 977 01</u>	<u>2 314 977 01</u>	<u>-</u>
Total Liabilities	<u>1 121 18</u>	<u>2 563 140 29</u>	<u>2 563 394 58</u>	<u>866 89</u>

TOWNSHIP OF SAGE
Gladwin County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2012

Cash on hand and in bank – beginning of year	<u>1 121 18</u>
Cash receipts:	
Property tax	2 561 797 79
Animal licenses	<u>1 342 50</u>
Total cash receipts	<u>2 563 140 29</u>
Total beginning balance and cash receipts	<u>2 564 261 47</u>
Cash disbursements:	
Township General Fund	248 417 57
Clare-Gladwin ISD	149 058 70
Gladwin Community Schools	697 870 33
Gladwin County	1 374 833 69
Mid-Michigan Community College	89 433 73
Refunds	<u>3 780 56</u>
Total cash disbursements	<u>2 563 394 58</u>
Cash on Hand and in Bank – End of Year	<u><u>866 89</u></u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA

512 N. LINCOLN AVE. - SUITE 100
P. O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494
campbell.co@sbcglobal.net

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

April 30, 2012

To the Township Board
Township of Sage
Gladwin County, Michigan

We have audited the financial statements of the Township of Sage for the year ended March 31, 2012. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

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

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

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

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

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

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

To the Township Board
Township of Sage
Gladwin County, Michigan

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

SIGNIFICANT ACCOUNTING POLICIES

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

OTHER COMMUNICATIONS

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

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

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

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

SEGREGATION OF DUTIES

The Township's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

PREPARATION OF FINANCIAL STATEMENTS

Government units are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Responsibility for the financial statements of the governmental unit rests with the governmental unit's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

It has historically been common for many governmental units to rely on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, a government's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal control.

To the Township Board
Township of Sage
Gladwin County, Michigan

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY
(cont.)

PREPARATION OF FINANCIAL STATEMENTS (cont.)

The cause for this condition is simply because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

As a result of this condition, the employees and/or management do not possess the qualifications necessary to prepare the governmental unit's annual financial statements and notes to the financial statements in accordance with GAAP. The governmental unit relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP.

We do not recommend any changes to this situation at this time and we communicate this as required by professional standards.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements for the year ended March 31, 2012.

SUMMARY

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

Sincerely,



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