

Township of Sherwood

Financial Statements

March 31, 2007

### Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

|                                                                                                                                                                                                        |                               |                                                       |                  |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|-------------------------------------------------------|------------------|
| Local Unit of Government Type<br><input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other |                               | Local Unit Name<br>Township of Sherwood Branch        | County<br>Branch |
| Fiscal Year End<br>March 31, 2007                                                                                                                                                                      | Opinion Date<br>July 27, 2007 | Date Audit Report Submitted to State<br>Sept. 5, 2007 |                  |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

- |                                     |                          |                                                                                |
|-------------------------------------|--------------------------|--------------------------------------------------------------------------------|
| YES                                 | NO                       | <b>Check each applicable box below.</b> (See instructions for further detail.) |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> |                                                                                |
1.   All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  2.   There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  3.   The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  4.   The local unit has adopted a budget for all required funds.
  5.   A public hearing on the budget was held in accordance with State statute.
  6.   The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  7.   The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  8.   The local unit only holds deposits/investments that comply with statutory requirements.
  9.   The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  10.   There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  11.   The local unit is free of repeated comments from previous years.
  12.   The audit opinion is UNQUALIFIED.
  13.   The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  14.   The board or council approves all invoices prior to payment as required by charter or statute.
  15.   To our knowledge, bank reconciliations that were reviewed were performed timely.

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

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

| We have enclosed the following:                                    | Enclosed                 | Not Required (enter a brief justification) |                       |
|--------------------------------------------------------------------|--------------------------|--------------------------------------------|-----------------------|
| Financial Statements                                               | <input type="checkbox"/> |                                            |                       |
| The letter of Comments and Recommendations                         | <input type="checkbox"/> |                                            |                       |
| Other (Describe)                                                   | <input type="checkbox"/> |                                            |                       |
| Certified Public Accountant (Firm Name)<br>David F. Loney, CPA, PC |                          | Telephone Number                           |                       |
| Street Address<br>6700 N. M. Lele                                  |                          | City<br>Sturgis                            | State Zip<br>MI 49091 |
| Authorizing CPA Signature<br><i>[Signature]</i>                    |                          | Printed Name                               | License Number        |

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## INDEPENDENT AUDITOR'S REPORT

To the Township Board  
Township of Sherwood Branch County  
Sherwood, Michigan

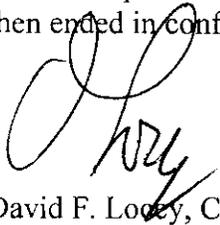
We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Sherwood, Michigan, as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Sherwood, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in the notes to the financial statements, management has not reported its financial statement under GASB 34 reporting format. As a result, no management discussion and analysis report, government wide statement of net assets, or government wide statement of activities is included. Management has not recorded certain general assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and depreciated, which would increase the assets and expenses of the governmental activities. The amount by which this departure would affect the assets and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United State of America, the financial position of the governmental activities of the Township of Sherwood, Michigan, as of March 31, 2007, and the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Sherwood, Michigan as of March 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read 'D. Looey', is positioned above the typed name.

David F. Looey, CPA, PC  
Sturgis, Michigan  
July 27, 2007

**Township of Sherwood**  
**Combined Balance Sheet - All Fund Types**  
**For the Year Ended March 31, 2007**

|                                                                   | <u>Governmental Fund Types</u> |                             | <u>Fiduciary Fund Types</u> |
|-------------------------------------------------------------------|--------------------------------|-----------------------------|-----------------------------|
|                                                                   | <u>General Fund</u>            | <u>Special Revenue Fund</u> | <u>Tax Collection Fund</u>  |
| <b>ASSETS</b>                                                     |                                |                             |                             |
| Cash in Bank - Investments                                        | \$58,634                       | \$20,881                    | \$67,308                    |
| Taxes Receivable - Delinquent                                     | 7,045                          | 2,250                       | 0                           |
| Accounts Receivable - State                                       | 36,009                         | 0                           | 0                           |
| Accounts Receivable - Village of Sherwood                         | 14,215                         | 0                           | 0                           |
| Due from Other Funds                                              | 50,927                         | 17,250                      | 0                           |
| Interest Receivable                                               | 1,251                          | 0                           | 0                           |
| Prepaid Expense                                                   | 18,553                         | 0                           | 0                           |
| Land                                                              | 0                              | 0                           | 0                           |
| Building and Improvements                                         | 0                              | 0                           | 0                           |
| Equipment                                                         | 0                              | 0                           | 0                           |
| Prepaid Expense                                                   | 0                              | 0                           | 0                           |
| Amount to be Provided for Retirement<br>of General Long-Term Debt | 0                              | 0                           | 0                           |
|                                                                   | <u>0</u>                       | <u>0</u>                    | <u>0</u>                    |
| Total Assets                                                      | <u>\$186,633</u>               | <u>\$40,381</u>             | <u>\$67,308</u>             |
| <b>LIABILITIES AND FUND BALANCES</b>                              |                                |                             |                             |
| <b>Liabilities</b>                                                |                                |                             |                             |
| Accounts Payable                                                  | \$3,406                        | \$0                         | \$0                         |
| Accrued Payroll Taxes                                             | 537                            | 0                           | 0                           |
| Accrued Pension                                                   | 275                            | 0                           | 0                           |
| Contracts Payable                                                 | 0                              | 0                           | 0                           |
| Due to General Fund                                               | 0                              | 870                         | 67,308                      |
|                                                                   | <u>0</u>                       | <u>870</u>                  | <u>67,308</u>               |
| Total Liabilities                                                 | 4,217                          | 870                         | 67,308                      |
| Fund Balance                                                      | 182,415                        | 0                           | 0                           |
| Reserved for Cemetery<br>Perpetual Care                           | 0                              | 39,511                      | 0                           |
| Investment in General Fixed Assets                                | 0                              | 0                           | 0                           |
|                                                                   | <u>0</u>                       | <u>0</u>                    | <u>0</u>                    |
| Total Liabilities and Fund Balance                                | <u>\$186,633</u>               | <u>\$40,381</u>             | <u>\$67,308</u>             |

The Notes to Financial Statements are an integral part of this statement.

| <u>General Fixed<br/>Assets</u> | <u>Total<br/>(Memorandum<br/>Only)</u> |
|---------------------------------|----------------------------------------|
| \$0                             | \$146,823                              |
| 0                               | 9,295                                  |
| 0                               | 36,009                                 |
| 0                               | 14,215                                 |
| 0                               | 68,177                                 |
| 0                               | 1,251                                  |
| 0                               | 18,553                                 |
| 0                               | 0                                      |
| 79,026                          | 79,026                                 |
| 299,152                         | 299,152                                |
| 411,453                         | 411,453                                |
| <u>0</u>                        | <u>0</u>                               |
| <u><u>\$789,631</u></u>         | <u><u>\$1,083,953</u></u>              |

|                         |                           |
|-------------------------|---------------------------|
| \$0                     | \$3,406                   |
| 0                       | 537                       |
| 0                       | 275                       |
| 0                       | 0                         |
| <u>0</u>                | <u>68,178</u>             |
| 0                       | 72,395                    |
| 0                       | 182,415                   |
| 0                       | 39,511                    |
| <u>789,631</u>          | <u>789,631</u>            |
| <u><u>\$789,631</u></u> | <u><u>\$1,083,953</u></u> |

**Township of Sherwood**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**All Governmental Fund Types**  
**For the Year Ended March 31, 2007**

|                       | <u>Governmental Fund Types</u> |                                 | <u>Total<br/>(Memorandum<br/>Only)</u> |
|-----------------------|--------------------------------|---------------------------------|----------------------------------------|
|                       | <u>General Fund</u>            | <u>Special Revenue<br/>Fund</u> |                                        |
| <b>REVENUES</b>       |                                |                                 |                                        |
| Property Taxes        | \$55,274                       | \$19,500                        | \$74,774                               |
| State Collection Fee  | 1,447                          | 0                               | 1,447                                  |
| Other Taxes           | 10                             | 0                               | 10                                     |
| Licenses and Permits  | 4,826                          | 0                               | 4,826                                  |
| State Revenue Sharing | 140,655                        | 0                               | 140,655                                |
| Charges for Services: |                                |                                 | 0                                      |
| Sanitation            | 5,496                          | 0                               | 5,496                                  |
| Fire                  | 0                              | 0                               | 0                                      |
| Cemetery              | 7,948                          | 0                               | 7,948                                  |
| Interest              | 3,325                          | 884                             | 4,209                                  |
| Miscellaneous         | 5,838                          | 0                               | 5,838                                  |
|                       | <u>224,820</u>                 | <u>20,384</u>                   | <u>245,204</u>                         |
| Total Revenues        | 224,820                        | 20,384                          | 245,204                                |
| <b>EXPENDITURES</b>   |                                |                                 |                                        |
| Legislative:          |                                |                                 |                                        |
| Township Board        | 15,514                         | 0                               | 15,514                                 |
| General Government:   |                                |                                 |                                        |
| Supervisor            | 7,930                          | 0                               | 7,930                                  |
| Elections             | 3,777                          | 0                               | 3,777                                  |
| Assessor              | 17,384                         | 0                               | 17,384                                 |
| Clerks                | 12,112                         | 0                               | 12,112                                 |
| Board of Review       | 869                            | 0                               | 869                                    |
| Treasurer             | 16,460                         | 0                               | 16,460                                 |
| Building and Grounds  | 6,295                          | 0                               | 6,295                                  |
| Cemetery              | 26,844                         | 884                             | 27,728                                 |
| Public Safety:        |                                |                                 |                                        |
| Fire Protection       | 35,176                         | 0                               | 35,176                                 |
| Zoning                | 8,864                          | 0                               | 8,864                                  |
| Public Works:         |                                |                                 |                                        |
| Drains                | 1,327                          | 0                               | 1,327                                  |
| Highways and Streets  | 35,834                         | 17,085                          | 52,919                                 |
| Sanitation            | 14,179                         | 0                               | 14,179                                 |

The Notes to Financial Statements are an integral part of this statement.

**Township of Sherwood**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**All Governmental Fund Types (Continued)**  
**For the Year Ended March 31, 2007**

|                                                 | <u>Governmental Fund Types</u> |                                 | Total<br>(Memorandum<br>Only) |
|-------------------------------------------------|--------------------------------|---------------------------------|-------------------------------|
|                                                 | <u>General Fund</u>            | <u>Special Revenue<br/>Fund</u> |                               |
| Culture and Recreation:                         |                                |                                 |                               |
| Library                                         | 1,100                          | 0                               | 1,100                         |
| Parks                                           | 300                            | 0                               | 300                           |
| Other:                                          |                                |                                 |                               |
| Debt Service                                    | <u>8,929</u>                   | <u>0</u>                        | <u>8,929</u>                  |
| <br>Total Expenditures                          | <br><u>212,896</u>             | <br><u>17,969</u>               | <br><u>230,865</u>            |
| <br>Excess of Revenues over(under) Expenditures | <br>11,924                     | <br>2,415                       | <br>14,339                    |
| <br>Prior Period Adjustment                     |                                |                                 |                               |
| <br>FUND BALANCE - April 01, 2006               | <br><u>170,491</u>             | <br><u>37,096</u>               | <br><u>207,587</u>            |
| <br>FUND BALANCE - March 31, 2007               | <br><u><u>\$182,415</u></u>    | <br><u><u>\$39,511</u></u>      | <br><u><u>\$221,926</u></u>   |

**Township of Sherwood**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - All Governmental Fund Types**  
**For the Year Ended March 31, 2007**

|                       | General Fund   |                |                                     |
|-----------------------|----------------|----------------|-------------------------------------|
|                       | Budget         | Actual         | Variance Favorable<br>(Unfavorable) |
| <b>REVENUES</b>       |                |                |                                     |
| Property Taxes        | \$48,000       | \$55,274       | \$7,274                             |
| State Collection Fee  | 5,000          | 1,447          | (3,553)                             |
| Other Taxes           | 1,200          | 10             | (1,190)                             |
| Licenses and Permits  | 8,000          | 4,826          | (3,174)                             |
| State Revenue Sharing | 140,000        | 140,655        | 655                                 |
| Grant                 | 0              | 0              | 0                                   |
| Charges for Services: |                |                |                                     |
| Sanitation            | 6,000          | 5,496          | (504)                               |
| Fire                  | 4,000          | 0              | (4,000)                             |
| Cemetery              | 8,500          | 7,948          | (552)                               |
| Interest              | 5,000          | 3,325          | (1,675)                             |
| Miscellaneous         | 1,000          | 5,838          | 4,838                               |
| <b>Total Revenues</b> | <b>226,700</b> | <b>224,820</b> | <b>(1,880)</b>                      |
| <b>EXPENDITURES</b>   |                |                |                                     |
| Legislative:          |                |                |                                     |
| Township Board        | 15,800         | 15,514         | 286                                 |
| General Government:   |                |                |                                     |
| Supervisor            | 8,060          | 7,930          | 130                                 |
| Elections             | 4,300          | 3,777          | 523                                 |
| Assessor              | 17,385         | 17,384         | 1                                   |
| Clerks                | 12,310         | 12,112         | 198                                 |
| Board of Review       | 900            | 869            | 31                                  |
| Treasurer             | 16,467         | 16,460         | 7                                   |
| Building and Grounds  | 6,075          | 6,295          | (220)                               |
| Cemetery              | 26,730         | 26,844         | (114)                               |
| Public Safety:        |                |                |                                     |
| Fire Protection       | 49,613         | 35,176         | 14,437                              |
| Zoning                | 10,650         | 8,864          | 1,786                               |
| Public Works:         |                |                |                                     |
| Drains                | 1,327          | 1,327          | 0                                   |
| Highways and Streets  | 35,850         | 35,834         | 16                                  |
| Sanitation            | 17,000         | 14,179         | 2,821                               |

The Notes to Financial Statements are an integral part of this statement.

| Special Revenue Fund |          |                                  | Total (Memorandum Only) |          |                                  |
|----------------------|----------|----------------------------------|-------------------------|----------|----------------------------------|
| Budget               | Actual   | Variance Favorable (Unfavorable) | Budget                  | Actual   | Variance Favorable (Unfavorable) |
| \$19,500             | \$19,500 | \$0                              | \$67,500                | \$74,774 | \$7,274                          |
| 0                    | 0        | 0                                | 5,000                   | 1,447    | (3,553)                          |
| 0                    | 0        | 0                                | 1,200                   | 10       | (1,190)                          |
| 0                    | 0        | 0                                | 8,000                   | 4,826    | (3,174)                          |
| 0                    | 0        | 0                                | 140,000                 | 140,655  | 655                              |
| 0                    | 0        | 0                                | 0                       | 0        | 0                                |
| 0                    | 0        | 0                                | 6,000                   | 5,496    | (504)                            |
| 0                    | 0        | 0                                | 4,000                   | 0        | (4,000)                          |
| 0                    | 0        | 0                                | 8,500                   | 7,948    | (552)                            |
| 884                  | 884      | 0                                | 5,884                   | 4,209    | (1,675)                          |
| 0                    | 0        | 0                                | 1,000                   | 5,838    | 4,838                            |
| \$20,384             | 20,384   | 0                                | 247,084                 | 245,204  | (1,880)                          |
| 0                    | 0        | 0                                | 15,800                  | 15,514   | 286                              |
| 0                    | 0        | 0                                | 8,060                   | 7,930    | 130                              |
| 0                    | 0        | 0                                | 4,300                   | 3,777    | 523                              |
| 0                    | 0        | 0                                | 17,385                  | 17,384   | 1                                |
| 0                    | 0        | 0                                | 12,310                  | 12,112   | 198                              |
| 0                    | 0        | 0                                | 900                     | 869      | 31                               |
| 0                    | 0        | 0                                | 16,467                  | 16,460   | 7                                |
| 0                    | 0        | 0                                | 6,075                   | 6,295    | (220)                            |
| 884                  | 884      | 0                                | 27,614                  | 27,728   | (114)                            |
| 0                    | 0        | 0                                | 49,613                  | 35,176   | 14,437                           |
| 0                    | 0        | 0                                | 10,650                  | 8,864    | 1,786                            |
| 0                    | 0        | 0                                | 1,327                   | 1,327    | 0                                |
| 17,085               | 17,085   | 0                                | 52,935                  | 52,919   | 16                               |
| 0                    | 0        | 0                                | 17,000                  | 14,179   | 2,821                            |

**Township of Sherwood**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - All Governmental Fund Types (Continued)**  
**For the Year Ended March 31, 2007**

|                                                 | <u>General Fund</u>         |                             |                                             |
|-------------------------------------------------|-----------------------------|-----------------------------|---------------------------------------------|
|                                                 | <u>Budget</u>               | <u>Actual</u>               | <u>Variance Favorable<br/>(Unfavorable)</u> |
| Culture and Recreation:                         |                             |                             |                                             |
| Library                                         | 1,100                       | 1,100                       | 0                                           |
| Parks                                           | 800                         | 300                         | 500                                         |
| Other:                                          |                             |                             |                                             |
| Debt Service                                    | <u>0</u>                    | <u>8,929</u>                | <u>(8,929)</u>                              |
| <br>Total Expenditures                          | <br><u>224,367</u>          | <br><u>212,896</u>          | <br><u>11,471</u>                           |
| <br>Excess of Revenues over(under) Expenditures | <br>2,333                   | <br>11,924                  | <br>9,591                                   |
| <br>Prior Period Adjustment                     |                             |                             |                                             |
| <br>FUND BALANCE - April 01, 2006               | <br><u>170,491</u>          | <br><u>170,491</u>          | <br><u>0</u>                                |
| <br>FUND BALANCE - March 31, 2007               | <br><u><u>\$172,824</u></u> | <br><u><u>\$182,415</u></u> | <br><u><u>\$9,591</u></u>                   |

The Notes to Financial Statements are an integral part of this statement.

| Special Revenue Fund |                 |                                        | Total (Memorandum Only) |                  |                                        |
|----------------------|-----------------|----------------------------------------|-------------------------|------------------|----------------------------------------|
| Budget               | Actual          | Variance<br>Favorable<br>(Unfavorable) | Budget                  | Actual           | Variance<br>Favorable<br>(Unfavorable) |
| 0                    | 0               | 0                                      | 1,100                   | 1,100            | 0                                      |
| 0                    | 0               | 0                                      | 800                     | 300              | 500                                    |
| 0                    | 0               | 0                                      | 0                       | 8,929            | (8,929)                                |
| 17,969               | 17,969          | 0                                      | 242,336                 | 230,865          | 11,471                                 |
| 2,415                | 2,415           | 0                                      | 4,748                   | 14,339           | 9,591                                  |
| 37,096               | 37,096          | 0                                      | 207,587                 | 207,587          | 0                                      |
| <u>\$39,511</u>      | <u>\$39,511</u> | <u>\$0</u>                             | <u>\$212,335</u>        | <u>\$221,926</u> | <u>\$9,591</u>                         |

Township of Sherwood, Branch County, Michigan  
Notes to Financial Statements  
For the Year Ended March 31, 2007

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Fund

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.

Special Revenue Fund

Fund activity reports Cemetery Perpetual Care.

Fiduciary Fund

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

Account Groups

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

General Long-Term Debt Account Group

This account group presents the general long-term debt of the local unit.

Scope of Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements contain all the funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

#### Accumulated Unpaid Benefits

Employees are not allowed to accumulate vacation and sick pay and therefore, no accumulated amount has been shown in the General Long-Term Debt Group of Accounts in accordance with Governmental Accounting Standards Board's Statement No. 16 "Accounting for Compensated Absences."

#### Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

#### Property Taxes

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

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls.

#### Fixed Assets

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. They are also recorded at cost in the General Fixed Assets Group of Accounts which is required by generally accepted accounting principles.

Investments

Investments are stated at market value all represented by money market accounts.

Budgets and Budgetary Accounting

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

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

Encumbrances

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

NOTE 2 – CHANGES IN GENERAL FIXED ASSETS

A summary of the changes in general fixed assets follows:

|                           | <u>Balance</u><br><u>04/01/06</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u><br><u>03/31/07</u> |
|---------------------------|-----------------------------------|------------------|------------------|-----------------------------------|
| Land and Improvements     | \$ 79,026                         | \$ 0             | \$ 0             | \$ 79,026                         |
| Building and Improvements | 299,152                           | 0                | 0                | 299,152                           |
| Equipment                 | <u>405,973</u>                    | <u>5,480</u>     | <u>0</u>         | <u>411,453</u>                    |
| Total                     | <u>\$ 784,151</u>                 | <u>\$ 5,480</u>  | <u>\$ 0</u>      | <u>\$ 789,631</u>                 |

NOTE 3 – PENSION PLAN

The Township has a defined contribution pension plan covering all full-time employees. The Township contributes an amount of each employee's annual salary to the plan. Pension expense for the fiscal year ended March 31, 2007 was \$1,587.

NOTE 4 – CHANGES IN GENERAL LONG-TERM DEBT

|                  | <u>Balance</u><br><u>04/01/06</u> | <u>Additions</u> | <u>Payments</u> | <u>Balance</u><br><u>03/31/07</u> |
|------------------|-----------------------------------|------------------|-----------------|-----------------------------------|
| Contract Payable | <u>\$ 8,298</u>                   | <u>\$ 0</u>      | <u>\$ 8,298</u> | <u>\$ 0</u>                       |

NOTE 5 – CONTRACT PAYABLE

On March 10, 2002 the Township entered into an installment purchase agreement, in the amount of \$40,000 to fund fire equipment. The payment is \$744.12 monthly including interest, as of March 31, 2007, balance has been paid off.

NOTE 6 – GASB 34 REPORTING FINANCIAL

Township has elected not to convert to GASB 34 format, therefore assets owned by the Township such as building and equipment are not stated at current values as of March 31, 2007 also no current charge is being recorded for current year depreciation. Accordingly the Management Discussion Analysis Letter, Statement of Net Assets, and Statement of Activities are not included per GASB 34 format.

NOTES 7 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables are as follows:

| <u>Fund – To</u>   | <u>Interfund<br/>Receivable</u> | <u>Fund – From</u>     | <u>Interfund<br/>Payable</u> |
|--------------------|---------------------------------|------------------------|------------------------------|
| General            | \$50,058                        | Current Tax Collection | \$50,058                     |
| Special Assessment | 17,250                          | Current Tax Collection | 17,250                       |
| General            | <u>870</u>                      | Special Assessment     | <u>870</u>                   |
|                    | <u>\$68,178</u>                 |                        | <u>\$68,178</u>              |

NOTE 8 – POSTEMPLOYMENT BENEFITS

The Township provides no postemployment benefits to past employees.

NOTE 9 – RISK MANAGEMENT

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

NOTE 10 – DEPOSITS

The Government Accounting Standards Board (GASB) Statement No. 3 risk disclosure for deposits at year end are as follows:

|                 |                          |
|-----------------|--------------------------|
| <u>Deposits</u> | <u>Bank<br/>Balances</u> |
| Insured FDIC    | \$ 111,428               |
| Uninsured       | <u>35,395</u>            |
| Total Deposits  | <u>\$ 146,823</u>        |

NOTE 11 – TOTAL – MEMORANDUM ONLY

The general purpose financial statements present total columns for the year ended March 31, 2007, which aggregate the columnar statements by fund type and account group. These columns are presented only for comparative purposes and should not be construed as presenting consolidated financial information.

**Township of Sherwood  
General Fund  
Balance Sheet  
For the Year Ended March 31, 2007**

ASSETS

|                                           |                         |
|-------------------------------------------|-------------------------|
| Cash in Bank - Investments                | \$58,634                |
| Taxes Receivable - Delinquent             | 7,045                   |
| Accounts Receivable - State               | 36,009                  |
| Accounts Receivable - Village of Sherwood | 14,215                  |
| Due from Other Funds                      | 50,927                  |
| Interest Receivable                       | 1,251                   |
| Prepaid Expense                           | <u>18,553</u>           |
| <br>                                      |                         |
| Total Assets                              | <u><u>\$186,633</u></u> |

LIABILITIES AND FUND BALANCE

|                                    |                         |
|------------------------------------|-------------------------|
| Liabilities                        |                         |
| Accounts Payable                   | \$3,406                 |
| Accrued Payroll Taxes              | 537                     |
| Accrued Pension                    | <u>275</u>              |
| <br>                               |                         |
| Total Liabilities                  | \$4,217                 |
| <br>                               |                         |
| Fund Balance                       |                         |
| Unreserved                         | <u>182,415</u>          |
| <br>                               |                         |
| Total Liabilities and Fund Balance | <u><u>\$186,633</u></u> |

**Township of Sherwood  
General Fund Expenditures by Detailed Account  
For the Year Ended March 31, 2007**

|                           |            |
|---------------------------|------------|
| Township Board:           |            |
| Wages                     | \$1,910    |
| Payroll Taxes             | 5,120      |
| Pension                   | 1,587      |
| Legal                     | 1,896      |
| Printing and Publishing   | 1,479      |
| Insurance                 | 263        |
| Repairs and Maintenance   | 95         |
| Miscellaneous             | 2,308      |
| Equipment                 | 0          |
| Memberships and Dues      | 856        |
|                           | 856        |
| <br>Total Township Board  | <br>15,514 |
| <br>Supervisor:           |            |
| Salary                    | 7,760      |
| Supplies                  | 8          |
| Mileage                   | 162        |
|                           | 162        |
| <br>Total Supervisor      | <br>7,930  |
| <br>Elections:            |            |
| Wages                     | 2,092      |
| Printing and Publishing   | 219        |
| Repairs and Maintenance   | 1,466      |
|                           | 1,466      |
| <br>Total Elections       | <br>3,777  |
| <br>Assessor:             |            |
| Contracted Services       | 16,939     |
| Postage                   | 445        |
|                           | 445        |
| <br>Total Assessor        | <br>17,384 |
| <br>Clerk:                |            |
| Salary                    | 10,420     |
| Mileage                   | 214        |
| Supplies                  | 1,477      |
|                           | 1,477      |
| <br>Total Clerk           | <br>12,112 |
| <br>Board of Review:      |            |
| Wages                     | 869        |
|                           | 869        |
| <br>Total Board of Review | <br>869    |

The Notes to Financial Statements are an integral part of this statement.

**Township of Sherwood**  
**General Fund Expenditures by Detailed Account (Continued)**  
**For the Year Ended March 31, 2007**

|                                         |        |
|-----------------------------------------|--------|
| Treasurer:                              |        |
| Salary                                  | 14,251 |
| Supplies-Postage                        | 1,788  |
| Mileage and Miscellaneous               | 421    |
|                                         | <hr/>  |
| Total Treasurer                         | 16,460 |
| Building and Grounds                    |        |
| Wages                                   | 1,137  |
| Supplies                                | 3      |
| Utilities and Telephone                 | 2,734  |
| Repairs, Maintenance, and Miscellaneous | 2,420  |
|                                         | <hr/>  |
| Total Building and Grounds              | 6,295  |
| Cemetery:                               |        |
| Wages                                   | 21,983 |
| Miscellaneous                           | 2,278  |
| Insurance                               | 835    |
| Utilities                               | 169    |
| Repairs and Maintenance                 | 1,579  |
|                                         | <hr/>  |
| Total Cemetery                          | 26,844 |
| Fire Protection:                        |        |
| Wages - Supervisor                      | 5,962  |
| Wages - Volunteers                      | 3,623  |
| Supplies                                | 0      |
| Miscellaneous                           | 87     |
| Gas and Oil                             | 1,703  |
| Insurance                               | 16,624 |
| Repairs and Maintenance                 | 3,282  |
| Memberships and Dues                    | 1,458  |
| Equipment                               | 2,437  |
|                                         | <hr/>  |
| Total Fire Protection                   | 35,176 |
| Zoning:                                 |        |
| Wages - Administration                  | 6,817  |
| Supplies                                | 203    |
| Miscellaneous                           | 1,845  |
| Mileage                                 | 0      |
|                                         | <hr/>  |
| Total Zoning                            | 8,864  |

The Notes to Financial Statements are an integral part of this statement.

**Township of Sherwood**  
**General Fund Expenditures by Detailed Account (Continued)**  
**For the Year Ended March 31, 2007**

|                            |                         |
|----------------------------|-------------------------|
| Highways and Streets:      |                         |
| Contracted Services        | 24,406                  |
| Repairs and Maintenance    | <u>11,428</u>           |
| Total Highways and Streets | 35,834                  |
| Sanitation:                |                         |
| Contracted Services        | <u>14,179</u>           |
| Total Sanitation           | 14,179                  |
| Parks:                     |                         |
| Donations                  | <u>300</u>              |
| Total Parks                | 300                     |
| Library                    | 1,100                   |
| Drains                     | <u>1,327</u>            |
| Total Drains               | 1,327                   |
| Debt Service               | <u>8,929</u>            |
| Total Expenditures         | <u><u>\$212,896</u></u> |

**Township of Sherwood  
Special Revenue Fund  
Balance Sheet  
For the Year Ended March 31, 2007**

ASSETS

|                            |          |          |
|----------------------------|----------|----------|
| Cash in Bank - Investments | \$20,881 |          |
| Due From Other Funds       | \$17,250 |          |
| Delinquent Tax Receivable  | 2,250    |          |
| <br>Total Assets           |          | \$40,381 |

LIABILITIES AND FUND BALANCE

Liabilities

|                    |  |       |
|--------------------|--|-------|
| Due To Other Funds |  | \$870 |
| Total Liabilities  |  | 870   |

Fund Balance

|                                      |        |          |
|--------------------------------------|--------|----------|
| Reserved for Cemetery Perpetual Care | 20,091 |          |
| Reserved for Special Assessment      | 19,420 |          |
| Total Fund Balance                   |        | 39,511   |
| Total Liabilities and Fund Balance   |        | \$40,381 |

**Township of Sherwood**  
**Statement of Revenues, Expenses, and Changes in Fund Balance**  
**Special Revenue Funds**  
**For the Year Ended March 31, 2007**

| Nonoperating Income and (Expenses):  | Cemetery   | Special<br>Assessments | Total      |
|--------------------------------------|------------|------------------------|------------|
| Interest Income                      | \$884      | \$0                    | \$884      |
| Property Tax                         | 0          | 19,500                 | 19,500     |
| Total Income                         | 884        | 19,500                 | 20,384     |
| <br>Expenditures                     |            |                        |            |
| Maintenance                          | 884        | 17,085                 | 17,969     |
| Legal                                | 0          | 0                      | 0          |
|                                      | 884        | 17,085                 | 17,969     |
| Total Revenues in Excess of Expenses | 0          | 2,415                  | 2,415      |
| <br>FUND BALANCE - April 01, 2006    | <br>20,091 | <br>17,005             | <br>37,096 |
| FUND BALANCE - March 31, 2007        | \$20,091   | \$19,420               | \$39,511   |

**Township of Sherwood  
Tax Collection Fund  
Balance Sheet  
For the Year Ended March 31, 2007**

ASSETS

|              |                        |
|--------------|------------------------|
| Cash in Bank | <u>\$67,308</u>        |
| Total Assets | <u><u>\$67,308</u></u> |

LIABILITIES

|                    |                        |
|--------------------|------------------------|
| Liabilities        |                        |
| Due To Other Funds | <u>\$67,308</u>        |
| Total Liabilities  | <u><u>\$67,308</u></u> |

**Township of Sherwood**  
**Combining Statement of Changes in Asset and Liabilities**  
**Tax Collection Fund**  
**For the Year Ended March 31, 2007**

|                        | <u>Balance</u><br><u>April 1, 2006</u> | <u>Additions</u>   | <u>Deductions</u>  | <u>Balance</u><br><u>March 31, 2007</u> |
|------------------------|----------------------------------------|--------------------|--------------------|-----------------------------------------|
| <b>ASSETS</b>          |                                        |                    |                    |                                         |
| Cash                   | <u>\$58,560</u>                        | <u>\$1,125,395</u> | <u>\$1,116,647</u> | <u>\$67,308</u>                         |
| <br><b>LIABILITIES</b> |                                        |                    |                    |                                         |
| Due to other funds     | \$58,560                               | \$67,308           | \$58,560           | \$67,308                                |
| Due to other           | <u>0</u>                               | <u>1,058,087</u>   | <u>1,058,087</u>   | <u>0</u>                                |
| Total Liabilities      | <u>\$58,560</u>                        | <u>\$1,125,395</u> | <u>\$1,116,647</u> | <u>\$67,308</u>                         |

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

Township Board  
Sherwood Township  
Branch County, Michigan

We have audited the general purpose financial statements of the Sherwood Township, as of and for the year ended March 31, 2007, and have issued our report thereon dated July 27, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

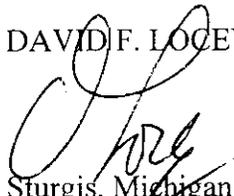
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Sherwood's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the

internal control components does not reduce to a relatively low level risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Township Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

DAVID F. LOCEY, C.P.A., P.C.



Sturgis, Michigan  
July 27, 2007

**David F. Locey, C.P.A., P.C.**

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COMMENTS AND RECOMMENDATIONS

Township Board  
Township of Sherwood  
Branch County  
Sherwood, MI 49089

Overall the records were in very good shape, the previous recommendations have been implemented.

We appreciate the opportunity to be of service to your township and look forward to future engagements.



David F. Locey, CPA, PC  
July 27, 2007