

Auditing Procedures Report

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

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Sagola Township	County Dickinson
Fiscal Year End March 31, 2007	Opinion Date July 31, 2007	Date Audit Report Submitted to State September 9, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

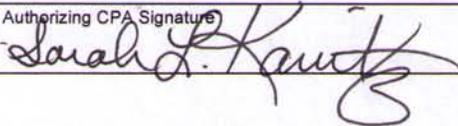
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

Check each applicable box below. (See instructions for further detail.)

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>	Not required		
Certified Public Accountant (Firm Name) Lake Michigan CPA Services, PLC		Telephone Number (231) 690-5217		
Street Address 239 N. Jebavy Drive		City Ludington	State MI	Zip 49431
Authorizing CPA Signature 		Printed Name Sarah L. Kanitz		License Number 1101027051

Sagola Township
REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)
Year ended March 31, 2007

Sagola Township

List of Elected Officials

Supervisor:	Donald Minerick
Clerk:	Julie Roell
Treasurer:	Kathryn Piasini
Trustee:	Yvonne Schultz
Trustee:	Thomas Roell

Sagola Township

Table of Contents

Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-13
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets.....	14
Statement of Activities	15
Fund Financial Statements	
Governmental Funds	
Balance Sheet.....	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	17
Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds.....	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.....	19
Proprietary Funds	
Statement of Net Assets.....	20
Statement of Revenues, Expenses and Changes in Fund Net Assets.....	21
Statement of Cash Flows.....	22
Statement of Fiduciary Assets and Liabilities	23
Notes to the Financial Statements	24-33
Required Supplemental Information	
Budgetary Comparison Schedule—General Fund	34
Budgetary Comparison Schedule—Fire Fund	35
Other Supplemental Information	
Combining Balance Sheet - Non-major Governmental Funds.....	36
Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Non-major Governmental Funds.....	37



Lake Michigan CPA Services, PLC

239 N Jebavy Drive
Ludington, MI 49431
LakeMichiganCPA.com

Sarah L. Kanitz
Certified Public Accountant
skanitz@lakemichigancpa.com

INDEPENDENT AUDITOR'S REPORT

July 31, 2007

Township Board
Sagola Township
Sagola, Michigan

I have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of Sagola Township, as of and for the year ended March 31, 2007, which collectively comprise Sagola Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Sagola Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

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

The management's discussion and analysis and budgetary comparison information on pages 3 through 13 and 34 through 35, 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. I 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, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements what collectively comprise Sagola Township's basic financial statements. The combining and individual nonmajor fund financial statements on pages 36 and 37 are presented for additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lake Michigan CPA Services, PLLC
Ludington, Michigan

SAGOLA TOWNSHIP
DICKINSON COUNTY, MICHIGAN

Management's Discussion and Analysis

Using this Annual Report

As management of Sagola Township, we offer readers of Sagola Township's financial statements, this narrative overview and analysis of financial activities for the year ended March 31, 2007. The Township is presenting this analysis along with the financial statements in a format prescribed by the provisions of the Governmental Accounting Standards Board Statement 34 (GASB 34). The annual report consists of a series of financial statements, including the Statement of Net Assets and the Statement of Activities, which provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements are also included, which tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

Financial Highlights

The Township's governmental activities showed an improvement over the prior year, as the Township's revenues exceeded expenses by \$202,605 in the government-wide financial statements. The Township's business-type activity showed a decline in fund balance of \$20,426, due mainly to depreciation expense.

During the year ended March 31, 2007, the Township received a one-time Homeland Security grant of \$27,687, which was used to purchase firefighter turnout gear.

The Ambulance Fund received a non-cash contribution of \$89,700 from STAR Ambulance for renovations to the Township-owned fire hall and ambulance bay.

The fund balance of the Township's General Fund increased by \$68,431, which was due to higher than anticipated investment earnings and a decrease in expenditures and transfers out over the prior year. During fiscal year 2007, General Fund expenditures totaled \$181,390 and transfers out were \$15,700. During fiscal year 2006, General Fund expenditures were \$185,381, which was \$3,991 higher than 2007. Also in 2006, transfers out were \$19,000.

SAGOLA TOWNSHIP
DICKINSON COUNTY, MICHIGAN

Management's Discussion and Analysis

Overview of the Financial Statements

The Management's Discussion and Analysis introduces the Township's basic financial statements. The basic financial statements include 1) the government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The Township also includes in this report additional information to supplement the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to give a view of the entity as a whole. These statements provide both long-term and short-term information about the Township's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities and charges.

The Statement of Net Assets is the Township-wide statement of financial position presenting information that includes all of the Township's assets and liabilities, with the difference reported as net assets. Over time, changes in net assets may serve as a useful indicator of the financial health of the Township and whether the financial condition is improving or deteriorating.

The Statement of Activities reports how the Township's net assets changed during the current fiscal year. All current year revenues and expenses are included when the event giving rise to the change occurs, regardless of the timing of when cash is received or paid. The Statement of Activities is designed to help show the financial reliance of the Township's distinct activities or functions on revenues provided by the Township's taxpayers and intergovernmental revenues.

Fund Financial Statements.

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Township uses funds to ensure and demonstrate compliance with related laws and regulations. Within the basic financial statements,

Management's Discussion and Analysis

the fund financial statements focus on the Township's most significant funds, rather than the Township as whole. Major funds are separately reported while all others are combined into an aggregated presentation. Sagola Township has several governmental funds and one business-type fund. The Township's major funds are the General Fund, the Fire Fund, the Ambulance Fund, and the Sewer fund.

The Township has three types of funds as noted below:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Township's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the fiscal year. Governmental funds are useful in evaluating annual financial requirements of governmental programs and the commitment of spendable resources for the near-term.

The government-wide financial statements focus on the long-term view, while the fund statements focus on a shorter view. Therefore, comparisons of the two may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and statement of revenues, expenditures and changes in fund balances include a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparisons for the General Fund and the Fire Fund are found at the end of this report. The Ambulance Fund did not have a budget for fiscal year 2007. These schedules demonstrate compliance with the Township's adopted and final revised budget.

Proprietary funds. Sagola Township maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Sagola Township uses an enterprise fund to account for its Sewer operation.

Fiduciary funds are reported in the fiduciary fund financial statements, but are excluded from the government-wide financial reporting, as they are used to account for resources held for the benefit of parties other than the Township. Fiduciary fund financial statements report

SAGOLA TOWNSHIP
DICKINSON COUNTY, MICHIGAN

Management's Discussion and Analysis

resources that are not available to fund Township programs. Fiduciary fund financial statements report similarly to proprietary funds.

Notes to the Financial Statements.

The accompanying notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes begin immediately following the basic financial statements.

Government-wide Financial Analysis

Net assets of the Township may be used as an indicator of a government's overall financial position. As of March 31, 2007, the Township's net assets from governmental activities totaled \$1,209,795, which was an increase over the net assets of \$1,007,190 at March 31, 2006.

Net assets of the Township include net assets which are invested in capital assets (i.e., buildings, land, equipment, etc.). These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. Net assets invested in capital assets totaled \$450,190 at March 31, 2007 and \$375,113 at March 31, 2006. The Township did not have any debt outstanding at March 31, 2007 or 2006. The unrestricted net assets for governmental-type activities at March 31, 2007 depict a fund balance of \$672,350. At March 31, 2006, this total was \$513,624. The unrestricted fund balance represents the amount of discretionary resources that can be used for general governmental operations. Restricted net assets at March 31, 2007 consisted of net assets restricted for recreation services for Sawyer Lake improvements, liquor law enforcement activities, and road improvements.

SAGOLA TOWNSHIP
DICKINSON COUNTY, MICHIGAN

Management's Discussion and Analysis

The following table presents a summary of the government-wide statement of net assets:

SAGOLA TOWNSHIP
Summary of Net Assets
March 31, 2007 and 2006

GOVERNMENTAL ACTIVITIES

	March 31, 2007	March 31, 2006	Increase/ (Decrease)
Current assets	\$ 821,811	\$ 406,425	\$ 415,386
Noncurrent assets	450,190	608,626	(158,436)
Total Assets	<u>1,272,001</u>	<u>1,015,051</u>	<u>256,950</u>
Current liabilities	62,206	7,861	54,345
Net Assets			
Invested in Capital Assets	450,190	375,113	75,077
Restricted for recreation	23,894	5,683	18,211
Restricted for liquor law enforcement	8,465	8,099	366
Restricted for road improvements	54,896	27,293	27,603
Unrestricted	<u>672,350</u>	<u>591,002</u>	<u>81,348</u>
Total Net Assets	<u>1,209,795</u>	<u>1,007,190</u>	<u>202,605</u>
Total Liabilities and Net Assets	<u>\$ 1,272,001</u>	<u>\$ 1,015,051</u>	<u>\$ 256,950</u>

BUSINESS-TYPE ACTIVITIES

Current assets	\$ 120,956	\$ 36,372	\$ 84,584
Noncurrent assets	<u>887,201</u>	<u>995,515</u>	<u>(108,314)</u>
Total Assets	<u>1,008,157</u>	<u>1,031,887</u>	<u>(23,730)</u>
Current liabilities	-	3,304	(3,304)
Net Assets			
Invested in Capital Assets	887,201	928,804	(41,603)
Unrestricted	<u>120,956</u>	<u>99,779</u>	<u>21,177</u>
Total Net Assets	<u>1,008,157</u>	<u>1,028,583</u>	<u>(20,426)</u>
Total Liabilities and Net Assets	<u>\$ 1,008,157</u>	<u>\$ 1,031,887</u>	<u>\$ (23,730)</u>

SAGOLA TOWNSHIP
DICKINSON COUNTY, MICHIGAN

Management's Discussion and Analysis

The change in governmental activities' net assets showed an increase of \$202,605 during 2007. This was due to an increase in revenues over the prior year and a decrease in expenditures. Operating revenues of \$169,868 combined with non-operating revenues of \$351,171 exceeded expenses. The beginning net assets were restated due to the inclusion of a prior unrecorded bank account maintained for the volunteer firefighters. The following table summarizes the governmental statement of activities for the years ended March 31, 2007 and 2006:

Summary of Statement of Activities - Governmental Funds
For the Years Ended March 31, 2007 and 2006

Revenues	<u>3/31/2007</u>	<u>3/31/2006</u>
Program Revenues		
Charges for Services	\$ 49,120	\$ 28,276
Operating Grant and Contributions	31,048	1,911
Capital Grant and Contributions	89,700	-
General Revenues		
Property Taxes	190,786	110,345
Other Taxes	37,603	79,421
Grant and Contributions not restricted	105,695	79,629
Unrestricted Investment Earnings	14,745	6,976
Miscellaneous	2,342	3,108
Total Revenue	<u>521,039</u>	<u>309,666</u>
Expenses		
General Government	137,322	145,114
Public Safety	128,500	21,766
Public Works	40,502	40,267
Community and Economic Development	3,080	-
Culture and Recreation	9,030	22,934
Unallocated Depreciation	-	31,545
Total Expenses	<u>318,434</u>	<u>261,626</u>
Increase in Net Assets	202,605	48,040
Net Assets, April 1, 2006 and 2005	<u>1,002,588</u>	<u>954,548</u>
Adjustment to Net Assets, April 1, 2006	4,602	
Restated Net Assets, April 1, 2006	<u>1,007,190</u>	
Net Assets at March 31, 2007 and 2006	\$ 1,209,795	\$ 1,002,588

SAGOLA TOWNSHIP
DICKINSON COUNTY, MICHIGAN

Management's Discussion and Analysis

The change in net assets of the business-type activities reflected a decrease of \$20,426, which is comparable to the prior year decrease of \$21,491. During fiscal year 2007, operating expenditures of \$65,269 exceed operating revenues of \$43,909. Investment earnings were minimal to offset this operating loss.

The following table summarizes the statement of activities for the business-type activity for the years ended March 31, 2007 and 2006:

Summary of the Statement of Activities		
For the Years Ended March 31, 2007 and 2006		
Business-type Activity		
Revenues	3/31/2007	3/31/2006
Program Revenues		
Charges for Services	\$ 43,909	\$ 40,668
Unrestricted Investment Earnings	934	887
Total Revenue	44,843	41,555
Expenses		
Sewer activities	65,269	63,046
Total Expenses	65,269	63,046
Increase in Net Assets	(20,426)	(21,491)
Net Assets, April 1, 2006	1,028,583	1,050,074
Net Assets, March 31, 2007	\$ 1,008,157	\$ 1,028,583

Fund Financial Analysis

As noted above, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming requirements. Sagola has several governmental funds, including the General Fund, a Fire Fund, an Ambulance Fund, and three nonmajor special revenue funds.

Management's Discussion and Analysis

The General Fund reported an ending fund balance of \$595,512. Of this year-end, \$225 is reserved for inventory and the remaining fund balance is unreserved for continuing Township service requirements. This is comparable to last year's General Fund ending fund balance of \$527,081, all of which was unreserved and unrestricted. The fund balance of the General Fund rose \$68,431 over the prior year, which was an increase over the prior year net change in fund balance of \$30,957. This was due to an increase in revenue and a decline in spending.

In the Fire Fund, the total fund balance of \$86,538 at March 31, 2007 was reserved for continuing fire service operations. Included in this fund balance is a beginning fund balance restatement of \$4,602, due to including the beginning balance in the fire fighters fundraising bank account. During fiscal year 2007, fund balance of the Fire Fund improved by \$24,371. This was the result of a one-time grant for firefighters equipment and other revenues which exceeded operating expenditures. At March 31, 2006, the total reserved fund balance in the Fire Fund was \$57,565, which increased \$25,865 over the previous fiscal year.

The Ambulance Fund reflected a fund balance of \$(9,700), which will be eliminated in the subsequent fiscal year by a transfer from the Fire Fund. This fund balance decrease was the result of expenditures for the completion of the joint firehall and ambulance bay. The Ambulance Fund was not in existence in the prior year.

The fund balances of the other governmental funds at March 31, 2007 were reserved as follows: \$23,894 was reserved for Sawyer Lake improvements, \$8,465 was reserved for the enforcement of liquor laws, and \$54,896 was reserved for future road improvements. These funds showed a total increase in fund balance of \$44,426, which included transfers in from the General Fund of \$15,700, as well as limited spending of financial resources. As of March 31, 2007, the Road Fund was a major fund and was not included in other governmental funds. The Road Fund ending fund balance at March 31, 2006 was \$27,293, which was reserved for road improvements. The other governmental funds at March 31, 2006 were the Recreation Fund and the Liquor Law Fund. The combined fund balance of the other governmental funds at March 31, 2006 was \$15,536, of which \$7,483 was reserved for Sawyer Lake improvements and \$8,053 was reserved for liquor law enforcement.

General Fund Budgetary Highlights

The originally adopted General Fund budget for the March 31, 2007 fiscal year showed planned revenue of \$191,604, expenditures of \$284,962, and transfers out of \$16,000. The

SAGOLA TOWNSHIP
DICKINSON COUNTY, MICHIGAN

Management's Discussion and Analysis

excess of expenditures over revenues was to be covered by the Township's fund balance. The budgets for expenditures and transfers out were amended during the 2007 fiscal year. The expenditure budget was increased by \$1,338 in various functions. The most significant change was due to an increase in budgeted transfers out of \$5,000. This amendment was made in the event that road improvements would be needed in 2007. However, the Township did not complete any road projects and the additional transfer was not needed.

Fire Fund Budgetary Highlights

The Fire Fund's original budget included \$40,154 of planned revenues and \$31,260 of expenditures. The revenue budget was revised downward by \$900 in the investment earnings category. Expenditures were amended upwards from \$31,260 to \$35,356. This was due mainly to planned increases in firefighter's equipment. The Township Fire Fund expenditures exceed the budget by \$25,961, which was offset by revenues exceeding budget by \$42,134. The overage was due to an unexpected grant for firefighter turnout gear, which occurred near the end of the fiscal year.

Capital Assets

The Township's total investment in capital assets as of March 31, 2007 was \$1,337,391, of which \$450,190 was included in governmental activities and \$887,201 was in business-type activities. The investment in capital assets includes land, buildings and improvements, furniture and fixtures, computer equipment, equipment, and vehicles. Current year capital asset additions in the governmental activities included the addition to the firehall and ambulance station of \$91,400, fire equipment of \$4,200, tax receipting software costing \$1,681 and maintenance equipment of \$1,250.

The increase in capital assets of the business-type activity was due to the purchase and installation of sewer slow valves.

SAGOLA TOWNSHIP
DICKINSON COUNTY, MICHIGAN

Management's Discussion and Analysis

The following table depicts the composition of capital assets of the Township as of March 31, 2007 and 2006:

Capital Assets
March 31, 2007 and 2006

Governmental activities	<u>3/31/2007</u>	<u>3/31/2006</u>
Nondepreciable		
Land	\$ 85,641	\$ 85,641
Depreciable		
Buildings	277,718	178,318
Furniture & fixtures	7,047	7,047
Computer equipment	5,785	5,785
Equipment	199,328	192,197
Vehicles	387,216	387,216
Total depreciable assets	<u>877,094</u>	<u>770,563</u>
Total capital assets	962,735	856,204
Less: Accumulated Depreciation	<u>(512,545)</u>	<u>(481,091)</u>
Governmental capital assets, net of accumulated depreciation	<u>\$ 450,190</u>	<u>\$ 375,113</u>
 Business-type activities		
Plants and systems	1,755,947	1,752,037
Less: Accumulated Depreciation	<u>(868,746)</u>	<u>(823,233)</u>
Business-type capital assets, net of accumulated depreciation	<u>\$ 887,201</u>	<u>\$ 928,804</u>

Long-term debt

Sagola Township had no outstanding debt at March 31, 2007 and 2006.

Management's Discussion and Analysis

General Economic Overview

Sagola Township plans to maintain its financial stability over the course of the next fiscal year.

The two main sources of revenue for the Township are property taxes and state shared revenue, both of which are expected to remain at about the same level or slightly below what was experienced in the current fiscal year. Expenditures are planned to remain consistent with the 2007 fiscal year, with the exception of fire expenses, which will decrease because the township will not have large purchases of turn-out gear in 2008, and ambulance capital outlays, which will not be incurred in 2008.

Requests for Information

This financial report is designed to provide a general overview of the Sagola Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Sagola Township, PO Box 195, Channing, MI 49815 or (906) 542-6966

Sagola Township
Statement of Net Assets
March 31, 2007

ASSETS

	Governmental activities	Business-type activities	Total
CURRENT ASSETS			
Cash and investments	\$ 602,503	\$ 105,122	\$ 707,625
Receivables	13,005	7,668	20,673
Due from other governmental units	34,688	-	34,688
Internal balances	171,390	8,166	179,556
Inventory	225	-	225
Total current assets	<u>821,811</u>	<u>120,956</u>	<u>942,767</u>
NONCURRENT ASSETS			
Capital assets, net			
Nondepreciable	85,641	-	85,641
Depreciable	<u>364,549</u>	<u>887,201</u>	<u>1,251,750</u>
Total noncurrent assets	<u>450,190</u>	<u>887,201</u>	<u>1,337,391</u>
Total assets	<u>\$ 1,272,001</u>	<u>\$ 1,008,157</u>	<u>\$ 2,280,158</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES			
Accounts payable	\$ 62,206	\$ -	\$ 62,206
NET ASSETS			
Invested in capital assets, net of related debt	450,190	887,201	1,337,391
Restricted for:			
Lake improvements	23,894	-	23,894
Liquor law enforcement	8,465	-	8,465
Road improvements	54,896	-	54,896
Unrestricted	<u>672,350</u>	<u>120,956</u>	<u>793,306</u>
Total net assets	<u>\$ 1,209,795</u>	<u>\$ 1,008,157</u>	<u>\$ 2,217,952</u>

The accompanying notes are an integral part of this statement.

Sagola Township
Statement of Activities
For the year ended March 31, 2007

Functions/Programs	<u>Program Revenue</u>				<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Governmental activities:							
General government	\$ 137,322	\$ 26,020	\$ -	\$ -	\$ (111,302)	\$ -	\$ (111,302)
Public safety	79,774	-	31,048	-	(48,726)	-	(48,726)
Public works	40,502	-	-	-	(40,502)	-	(40,502)
Community and economic development	3,080	-	-	-	(3,080)	-	(3,080)
Health and welfare	48,726	-	-	89,700	40,974	-	40,974
Culture and recreation	9,030	23,100	-	-	14,070	-	14,070
Total governmental activities	<u>318,434</u>	<u>49,120</u>	<u>31,048</u>	<u>89,700</u>	<u>(148,566)</u>	<u>-</u>	<u>(148,566)</u>
Business-type activities:							
Sewer	65,269	43,909	-	-	-	(21,360)	(21,360)
Total government	<u>\$ 383,703</u>	<u>\$ 93,029</u>	<u>\$ 31,048</u>	<u>\$ 89,700</u>	<u>(148,566)</u>	<u>(21,360)</u>	<u>(169,926)</u>
General revenues							
Property taxes, levied for general purposes					91,918	-	91,918
Property taxes, levied for specific purposes					98,868	-	98,868
Other taxes, for general purposes					37,603	-	37,603
Grants and contributions not restricted to specific programs					105,695	-	105,695
Unrestricted investment earnings					14,745	934	15,679
Miscellaneous					2,342	-	2,342
Total general revenues					<u>351,171</u>	<u>934</u>	<u>352,105</u>
Change in net assets					202,605	(20,426)	182,179
Net assets at April 1, 2006					<u>1,007,190</u>	<u>1,028,583</u>	<u>2,035,773</u>
Net assets at March 31, 2007					<u>\$ 1,209,795</u>	<u>\$ 1,008,157</u>	<u>\$ 2,217,952</u>

The accompanying notes are an integral part of this statement.

Sagola Township
Balance Sheet
Governmental Funds
March 31, 2007

ASSETS

	General Fund	Fire Fund	Ambulance Fund	Other governmental funds	Total governmental funds
ASSETS					
Cash and investments	\$ 501,362	\$ 37,286	\$ -	\$ 63,855	\$ 602,503
Accounts receivable					
Trade	170	-	-	-	170
Taxes	6,072	3,505	3,258	-	12,835
Due from other funds	77,775	45,747	45,468	2,400	171,390
Due from other governmental units	13,688	-	-	21,000	34,688
Inventory	225	-	-	-	225
Total assets	<u>\$ 599,292</u>	<u>\$ 86,538</u>	<u>\$ 48,726</u>	<u>\$ 87,255</u>	<u>\$ 821,811</u>

LIABILITIES AND FUND BALANCES

LIABILITIES					
Accounts payable	\$ 3,780	\$ -	\$ 58,426	\$ -	\$ 62,206
FUND BALANCES					
Reserved for:					
Inventory	225	-	-	-	225
Fire protection	-	86,538	-	-	86,538
Ambulance services	-	-	(9,700)	-	(9,700)
Lake improvements	-	-	-	23,894	23,894
Liquor law enforcement	-	-	-	8,465	8,465
Road improvements	-	-	-	54,896	54,896
Unreserved	595,287	-	-	-	595,287
Total fund balances	<u>595,512</u>	<u>86,538</u>	<u>(9,700)</u>	<u>87,255</u>	<u>759,605</u>
Total liabilities and fund balances	<u>\$ 599,292</u>	<u>\$ 86,538</u>	<u>\$ 48,726</u>	<u>\$ 87,255</u>	<u>\$ 821,811</u>

The accompanying notes are an integral part of this statement.

Sagola Township
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Assets
 March 31, 2007

Total fund balance—governmental funds	\$	759,605
---------------------------------------	----	---------

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

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

Cost of capital assets	\$	962,735	
Accumulated depreciation		<u>(512,545)</u>	450,190

Net assets of governmental activities in the Statement of Net Assets	\$	<u><u>1,209,795</u></u>
--	----	-------------------------

The accompanying notes are an integral part of this statement.

Sagola Township
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended March 31, 2007

	General Fund	Fire Fund	Ambulance Fund	Other governmental funds	Total governmental funds
REVENUES					
Taxes					
Property	\$ 91,918	\$ 50,142	\$ 48,726	\$ -	\$ 190,786
Other local taxes	37,603	-	-	-	37,603
Intergovernmental revenues					
Federal	-	27,687	-	-	27,687
State	93,451	-	-	12,244	105,695
Charges for services	25,768	-	-	-	25,768
Licenses and permits	876	-	-	-	876
Special assessments	-	-	-	23,100	23,100
Investment earnings	14,247	138	-	359	14,744
Contributions	-	302	89,700	-	90,002
Other	1,658	3,119	-	1,911	6,688
Total revenues	<u>265,521</u>	<u>81,388</u>	<u>138,426</u>	<u>37,614</u>	<u>522,949</u>
EXPENDITURES					
Current:					
General government	134,576	-	-	-	134,576
Public safety	300	52,817	-	1,499	54,616
Public works	40,503	-	-	-	40,503
Community and economic development	3,080	-	-	-	3,080
Health and welfare	-	-	48,726	-	48,726
Culture and recreation	-	-	-	7,389	7,389
Other governmental functions	-	-	-	-	-
Capital outlay	2,931	4,200	99,400	-	106,531
Total expenditures	<u>181,390</u>	<u>57,017</u>	<u>148,126</u>	<u>8,888</u>	<u>395,421</u>
Excess of revenues over expenditures	<u>84,131</u>	<u>24,371</u>	<u>(9,700)</u>	<u>28,726</u>	<u>127,528</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	15,700	15,700
Transfers out	(15,700)	-	-	-	(15,700)
	<u>(15,700)</u>	<u>-</u>	<u>-</u>	<u>15,700</u>	<u>-</u>
Net change in fund balances	68,431	24,371	(9,700)	44,426	127,528
Fund balance at April 1, 2006	<u>527,081</u>	<u>62,167</u>	<u>-</u>	<u>42,829</u>	<u>632,077</u>
Fund balance at March 31, 2007	<u>\$ 595,512</u>	<u>\$ 86,538</u>	<u>\$ (9,700)</u>	<u>\$ 87,255</u>	<u>\$ 759,605</u>

The accompanying notes are an integral part of this statement.

Sagola Township
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
 of the governmental funds to the Statement of Activities
 For the year ended March 31, 2007

Net changes in fund balances - total governmental funds \$ 127,528

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

Governmental funds report outlays for capital assets as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(31,454)
Capital outlay	106,531

Change in net assets of governmental activities	\$ 202,605
---	------------

The accompanying notes are an integral part of this statement.

Sagola Township
Statement of Net Assets
Proprietary Fund
March 31, 2007

CURRENT ASSETS	<u>Sewer</u>
Cash and investments	\$ 105,122
Accounts receivable	7,668
Due from other funds	<u>8,166</u>
Total current assets	120,956
NONCURRENT ASSETS	
Capital assets	
Plants and systems	1,755,947
Less: Accumulated depreciation	<u>(868,746)</u>
Net capital assets	887,201
Total assets	\$ <u><u>1,008,157</u></u>
NET ASSETS	
Invested in capital assets	887,201
Unrestricted	<u>120,956</u>
Total net assets	\$ <u><u>1,008,157</u></u>

The accompanying notes are an integral part of this statement.

Sagola Township
 Statement of Revenues, Expenses and Changes in Fund Net Assets
 Proprietary Fund
 For the year ended March 31, 2007

REVENUES		
Charges for services		\$ <u>43,909</u>
OPERATING EXPENSES		
Operations and administration		19,756
Depreciation		<u>45,513</u>
Total operating expenses		<u>65,269</u>
Operating loss		(21,360)
NONOPERATING REVENUES		
Investment earnings		<u>934</u>
Change in net assets		(20,426)
Net assets at April 1, 2006		<u>1,028,583</u>
Net assets at March 31, 2007		\$ <u><u>1,008,157</u></u>

The accompanying notes are an integral part of this statement.

Sagola Township
Statement of Cash Flows
Proprietary Fund
For the year ended March 31, 2007

	Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 42,508
Payments to suppliers	(9,733)
Payments to employees	(10,023)
Payments for interfund services used	(3,425)
Net cash provided by operating activities	19,327
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(3,910)
Net cash used by capital and related financing activities activities	(3,910)
CASH FLOW FROM INVESTING ACTIVITIES	
Investment earnings	934
Net cash provided by financing activities	934
Net increase in cash and investments	16,351
Cash and investments at April 1, 2006	88,771
Cash and investments at March 31, 2007	\$ 105,122
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (21,360)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	45,513
Change in assets and liabilities	
Decrease in receivables	1,903
Increase in internal balances	(3,425)
Decrease in deferred revenue	(3,304)
Net cash provided by operating activities	\$ 19,327

The accompanying notes are an integral part of this statement.

Sagola Township
 Statement of Fiduciary Assets and Liabilities
 Agency Fund
 For the year ended March 31, 2007

	Tax Collection Fund
ASSETS	
Cash and investments	\$ <u>246,703</u>
LIABILITIES	
Due to other funds	\$ 179,556
Due to other governmental units	<u>67,147</u>
	<u>246,703</u>

The accompanying notes are an integral part of this statement.

Sagola Township
Notes to the Financial Statements
March 31, 2007

I. Summary of significant accounting policies

The accounting policies of Sagola Township have been prepared to conform with accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by Sagola Township.

A. Reporting entity

Sagola Township is a general law township located in Dickinson County, which operates under the direction of a five member elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are

Sagola Township
Notes to the Financial Statements
March 31, 2007

recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property and other taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Sagola Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund accounts for activities of the Sagola Township volunteer fire department.

The Ambulance Fund accounts for ambulance service support activities.

The Township reports the following major proprietary fund:

The Sewer Fund accounts for the operation of the Township sewage treatment plant, sewage pumping stations, and collection system.

Sagola Township
Notes to the Financial Statements
March 31, 2007

Additionally, the township reports the following fund type:

The tax collection agency fund accounts for all of the tax collection payments and disbursements to Sagola Township and other governmental units.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are interfund payables and receivables between the tax collection fund and other funds due to a transfer of funds subsequent to year-end and other charges between the government's sewer function and other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer fund are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating items.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as needed.

D. Assets, liabilities and net assets or equity

1. Deposits and investments

The township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Sagola Township
Notes to the Financial Statements
March 31, 2007

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds. All investments are reported at fair value.

2. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

All trade and property tax receivables are shown net of allowance for uncollectibles. The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Property taxes are levied on December 1 on the taxable valuation of real and personal property (as defined by state statutes) located in the Township as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2006 state taxable value for property within the Township totaled approximately \$48,806,630. The property tax levied consisted of 1.3458 mills for the Township's operating purposes, .9991 for fire services, and .9991 for ambulance services. The extra-voted millage above 1 mill was approved by the electorate of the County of Dickinson as an allocation of the 15 mills provided by the State Constitution.

3. *Capital assets*

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major capital outlays for assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities are included as part of the capitalized value of the assets constructed.

Sagola Township
Notes to the Financial Statements
March 31, 2007

Property, plant and equipment of the Township are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	50
Furniture and fixtures	15-20
Computer equipment	5
Equipment	5-20
Vehicles	8-10

4. 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.

5. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

6. Net Asset and Fund Balance Restatement

The beginning fund balance of the fire fund has been restated to correctly include the firefighters cash account and corresponding fund balance. This account was previously excluded from the financial statements. The fund balance of the Fire Fund has been restated as follows:

Fund balance – Fire Fund at April 1, 2007	\$ 57,565
Firefighters cash balance at April 1, 2007	<u>4,602</u>
Restated fund balance at April 1, 2007	<u>\$ 62,167</u>

Governmental net assets have also been restated to reflect this cash account as follows:

Governmental net assets at April 1, 2007	\$1,002,588
Firefighters cash balance at April 1, 2007	<u>4,602</u>
Restated net assets at April 1, 2007	<u>\$1,007,190</u>

Sagola Township
Notes to the Financial Statements
March 31, 2007

II. Stewardship, compliance and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and the Fire Fund. The Township was required to, but did not prepare a budget for the Ambulance Fund. All annual appropriations lapse at fiscal year end.

The township clerk prepares the budget and submits it to the Township Board prior to March 31. The operating budget includes proposed expenditures and the means of financing them. A public hearing is held at the Township Hall to obtain taxpayer comments. Prior to the end of the fiscal year, the Township Board enacts the budget through a resolution. The budget is amended throughout the year, when required to provide for additional revenues and expenditures.

The appropriated budget is prepared by fund, function and department. The Township's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level. The Township Board made a few insignificant budgetary appropriations throughout the year.

B. Excess of expenditures over appropriations

For the year ended March 31, 2007, expenditures exceeded appropriations in the Fire Fund operations (the legal level of budgetary control) by \$25,961. These overexpenditures were funded by greater than anticipated revenues, including an unbudgeted federal grant.

C. Deficit fund equity

For the year ended March 31, 2007, the Ambulance Fund had a deficit fund balance of \$9,700. The fund incurred an expenditure for capital improvements for a joint firehall and ambulance station. The Township plans to fund this deficit with an operating transfer from the Fire Fund.

Sagola Township
Notes to the Financial Statements
March 31, 2007

III. Detailed notes on all funds

A. Deposits and investments

As of March 31, 2007, the township had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Moody's</u>	<u>Percent</u>
Negotiable certificates of deposit	\$286,402	1	Not rated	100%

Interest Rate Risk

The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). The Township's investment policy does not further limit its investment options.

Concentration of Credit Risk

The Township Board places no limit on the amount that the Township may invest in any one issuer.

Custodial Credit Risk - Deposits

Custodial credit risk in the case of deposits is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State law does not require, and the Township does not have, a deposit policy for custodial credit risk. As of March 31, 2007, \$100,000 of the Township's governmental funds' deposits were covered by federal depository insurance, and \$321,223 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Foreign currency risk

The Township is not authorized to invest in securities which have this type of risk.

B. Receivables

The Township's trade receivables in the governmental funds consist of balances due on charges for services. The receivables in the sewer fund reflect the amount due from the county for the previous year's uncollected balances added to the tax roll and current year sewer charges due from customers.

The Township's due from other governmental units consisted of State of Michigan shared revenue payments of \$13,688 and special assessments collected by the county of

Sagola Township
Notes to the Financial Statements
March 31, 2007

\$21,000, which are expected to be collected soon enough after March 31, 2007 to be used to pay liabilities of the current period.

C. Capital assets

Capital asset activity for the year ended March 31, 2007 was as follows:

	Balance April 1, 2006	Additions	Deletions	Balance March 31, 2007
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 85,641	\$ -	\$ -	\$ 85,641
Capital assets, being depreciated				
Buildings and improvements	\$ 178,318	\$ 99,400	\$ -	\$ 277,718
Furniture and fixtures	7,047	-	-	7,047
Computer equipment	5,785	-	-	5,785
Equipment	192,197	7,131	-	199,328
Vehicles	387,216	-	-	387,216
Total capital assets, being depreciated	770,563	106,531	-	877,094
Less: accumulated depreciation	481,091	31,454	-	512,545
Net capital assets, being depreciated	289,472	75,077	-	364,549
Total governmental capital assets, net	<u>\$ 375,113</u>	<u>\$ 75,077</u>	<u>\$ -</u>	<u>\$ 450,190</u>
Business-type activities				
Capital assets, being depreciated				
Plants and systems	1,752,037	3,910	-	1,755,947
Less: accumulated depreciation	823,233	45,513	-	868,746
Total business-type capital assets, net	<u>\$ 928,804</u>	<u>\$ (41,603)</u>	<u>\$ -</u>	<u>\$ 887,201</u>

Sagola Township
Notes to the Financial Statements
March 31, 2007

Depreciation expense was charged to the functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 2,743
Public safety	27,070
Culture and recreation	<u>1,641</u>
Total depreciation expense	<u>\$ 31,454</u>

D. Interfund receivables, payables, and transfers

The Township's interfund receivables and payables at March 31, 2007 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Tax Collection Fund	\$ 82,515
Fire Fund	Tax Collection Fund	45,747
Recreation Fund	Tax Collection Fund	2,400
Ambulance Fund	Tax Collection Fund	45,468
Sewer Fund	Tax Collection Fund	3,426
Sewer Fund	General Fund	<u>4,740</u>
		<u>\$ 184,296</u>

The outstanding balances between the funds result mainly from the time lag between the dates that the tax collection fund received the county settlement and the dates disbursed to the township from the tax collection fund.

Interfund transfers during the 2007 fiscal year consisted of the following for operating purposes:

<u>Fund Transferring Out</u>	<u>Receiving Fund</u>	<u>Amount</u>
General Fund	Recreation Fund	\$ 700
General Fund	Road Fund	<u>15,000</u>
		<u>\$ 15,700</u>

E. Fund balance restrictions

The Township's restricted net assets at March 31, 2007 consisted of assets restricted by external parties for lake improvements, road repair, and liquor law enforcement.

Sagola Township
Notes to the Financial Statements
March 31, 2007

F. Other information

1. Risk management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

2. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

G. Pension plan

The Township provides pension benefits for all of its elected officials and one full time employee through a defined contribution plan. The Township's pension investments are held in trust by the investment fiduciary, John Hancock Financial Services. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Township is required to contribute to the plan for qualified employees each plan year. The Township contributes \$525 per year for full-time employees and \$75 for part-time elected trustees. For the year ended March 31, 2007, pension expense was approximately \$2,250.

H. Economic dependency

The Township relies on the State of Michigan Shared Revenue program to fund a portion of its current governmental operations. For the year ended March 31, 2007, the state shared revenue was approximately 20% of total governmental revenue.

Required supplementary information

Sagola Township
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the year ended March 31, 2007

REVENUES	Budgeted Amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
Property taxes	\$ 59,204	\$ 59,204	\$ 91,918	\$ 32,714
Other taxes	37,404	37,404	37,603	199
Intergovernmental revenues - state	70,000	70,000	93,451	23,451
Charges for services	16,098	16,098	25,768	9,670
Licenses and permits	996	996	876	(120)
Investment earnings	6,404	6,404	14,247	7,843
Other	1,498	1,498	1,658	160
Total revenues	191,604	191,604	265,521	73,917
EXPENDITURES				
Current				
General government				
Township board	73,460	74,006	42,791	31,215
Supervisor	8,256	8,256	7,200	1,056
Clerk	12,270	12,270	11,108	1,162
Treasurer	14,916	14,916	11,614	3,302
Assessor	22,806	22,902	17,938	4,964
Townhall	66,560	66,560	34,788	31,772
Board of review	2,460	2,460	1,006	1,454
Elections	6,006	6,006	3,862	2,144
Cemetery	13,748	13,748	4,269	9,479
Public safety	556	1,252	300	952
Public works	46,360	46,360	40,503	5,857
Community and economic development	6,564	6,564	3,080	3,484
Capital outlay	11,000	11,000	2,931	8,069
Total expenditures	284,962	286,300	181,390	104,910
Excess of revenues over expenditures	(93,358)	(94,696)	84,131	178,827
OTHER FINANCING SOURCES				
Transfers out	(16,000)	(21,000)	(15,700)	5,300
Net change in fund balance	\$ (109,358)	\$ (115,696)	68,431	\$ 184,127
Fund balance at April 1, 2006			527,081	
Fund balance at March 31, 2007			\$ 595,512	

Sagola Township
 Required Supplementary Information
 Budgetary Comparison Schedule
 Fire Fund
 For the year ended March 31, 2007

REVENUES	Budgeted Amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
Property taxes	\$ 39,000	\$ 39,000	\$ 50,142	\$ 11,142
Intergovernmental revenues - federal	-	-	27,687	27,687
Investment earnings	900	-	138	138
Contributions	-	-	302	302
Other	254	254	3,119	2,865
Total revenues	40,154	39,254	81,388	42,134
EXPENDITURES				
Current				
Public Safety				
Fire protection	26,260	26,856	52,817	(25,961)
Capital outlay	5,000	8,500	4,200	4,300
Total expenditures	31,260	35,356	57,017	(21,661)
Net change in fund balance	\$ 57,520	\$ 62,212	24,371	\$ (47,622)
Fund balance at April 1, 2006			62,167	
Fund balance at March 31, 2007			\$ 86,538	

Other supplemental information

Sagola Township
Combining Balance Sheet
Other Governmental Funds
March 31, 2007

ASSETS

	Recreation Fund	Liquor Fund	Road Fund	Total other governmental funds
ASSETS				
Cash and investments	\$ 494	\$ 8,465	\$ 54,896	\$ 63,855
Due from other funds	2,400	-	-	2,400
Due from other governmental units	21,000	-	-	21,000
Total assets	<u>\$ 23,894</u>	<u>\$ 8,465</u>	<u>\$ 54,896</u>	<u>\$ 87,255</u>

FUND BALANCE

FUND BALANCES

Reserved for:

Lake improvements	\$ 23,894	\$ -	\$ -	\$ 23,894
Liquor law enforcement	-	8,465	-	8,465
Road improvements	-	-	54,896	54,896
Unreserved	-	-	-	-
Total fund balances	<u>\$ 23,894</u>	<u>\$ 8,465</u>	<u>\$ 54,896</u>	<u>\$ 87,255</u>

Sagola Township
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
For the year ended March 31, 2007

	Recreation Fund	Liquor Fund	Road Fund	Total other governmental funds
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues				
State	-	-	12,244	12,244
Special assessments	23,100	-	-	23,100
Investment earnings	-	-	359	359
Other	-	1,911	-	1,911
Total revenues	<u>23,100</u>	<u>1,911</u>	<u>12,603</u>	<u>37,614</u>
EXPENDITURES				
Current:				
Public safety	-	1,499	-	1,499
Culture and recreation	7,389	-	-	7,389
Total expenditures	<u>7,389</u>	<u>1,499</u>	<u>-</u>	<u>8,888</u>
Excess of revenues over expenditures	15,711	412	12,603	28,726
OTHER FINANCING SOURCES				
Transfers in	<u>700</u>	<u>-</u>	<u>15,000</u>	<u>15,700</u>
Net change in fund balances	16,411	412	27,603	44,426
Fund balance at April 1, 2006	<u>7,483</u>	<u>8,053</u>	<u>27,293</u>	<u>42,829</u>
Fund balance at March 31, 2007	<u>\$ 23,894</u>	<u>\$ 8,465</u>	<u>\$ 54,896</u>	<u>\$ 87,255</u>



Lake Michigan CPA Services, PLC

239 N Jebavy Drive
Ludington, MI 49431
LakeMichiganCPA.com
(231) 690-5217

Sarah L. Kanitz
Certified Public Accountant
skanitz@lakemichigancpa.com

July 31, 2007

Township Board
Sagola Township
Sagola, Michigan

In planning and performing the audit of the financial statements of Sagola Township as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, I considered Sagola Township's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sagola Township's internal control. Accordingly, I do not express an opinion on the effectiveness of the Sagola Township's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the following deficiencies to be significant deficiencies in internal control.

Lake Michigan CPA Services, PLC

Recommendation 1: The Township should include the financial activities of the volunteer fire department in the Township's general ledger.

During the course of the audit, I discovered that the Township's volunteer fire department maintained a separate checking account for the purpose of an annual community picnic and other firemen's activities. This account balance and all of the revenues and expenditures should be included in the Township's accounting records and corresponding budget line items should be established.

Recommendation 2: The Township should establish an ambulance fund to account for the property tax revenues and contracted services of the rural Ambulance service

The Township levies property taxes to support ambulance services for its residents. The tax levy is collected by the Township and disbursed to the ambulance service, which is not a branch of the governmental unit. The ambulance service is a non-profit 501(c)(3) organization which is not authorized to levy taxes. I discovered that the Township was not including this levy in the Township's general ledger. The Township should establish and maintain a separate fund to account for the property tax collections and disbursements to the ambulance service, and budget for these items accordingly.

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