

TOWNSHIP OF SAGE
Gladwin County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2007

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Sage	County Gladwin
Audit Date March 31, 2007	Opinion Date July 17, 2007	Date Accountant Report Submitted to State: July 20, 2007	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- yes no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- yes no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- yes no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- yes no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- yes no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- yes no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- yes no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- yes no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- yes no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
		Zip 48707	
Accountant Signature <i>Campbell, Kusterer & Co., PC</i>			

TOWNSHIP OF SAGE
Gladwin County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

July 17, 2007

To the Township Board
Township of Sage
Gladwin County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Sage, Gladwin County, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Sage's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Sage, Gladwin County, Michigan as of March 31, 2007, and the respective changes in financial position thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

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

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

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF SAGE
Gladwin County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2007

The Management's Discussion and Analysis report of the Township of Sage covers the Township's financial performance during the year ended March 31, 2007.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2007, totaled \$851,732.50 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were \$469,533.44 from governmental activities. Governmental activities had a \$53,638.37 increase in net assets with no major road improvements.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

ENTITY-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

TOWNSHIP OF SAGE
Gladwin County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2007

FUND FINANCIAL STATEMENTS (continued)

The Township has the following types of funds:

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

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

We continue to pay our loan through Chemical Bank. Our original loan was taken out on August 31, 2000, in the amount of \$420,000.00. It is now down to \$127,558.50.

Our cash position for the governmental activities remain strong.

Our external debt has approximately 4 years left and a \$127,558.50 balance for the Township Hall.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The Township had General Fund expenditures in excess of revenues for the year in the amount of \$22,213.16.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

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

The Township's governmental activities paid \$84,076.53 of principal on the note payable.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

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

CONTACTING THE TOWNSHIP'S MANAGEMENT

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

TOWNSHIP OF SAGE
Gladwin County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2007

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	349 760 41
Taxes receivable	<u>28 250 59</u>
Total Current Assets	<u>378 011 00</u>
NONCURRENT ASSETS:	
Capital Assets	658 855 00
Less: Accumulated Depreciation	<u>(57 575 00)</u>
Net Capital assets	<u>601 280 00</u>
TOTAL ASSETS	<u><u>979 291 00</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NONCURRENT LIABILITIES:	
Note payable	<u>127 558 50</u>
Total Noncurrent Liabilities	<u>127 558 50</u>
Total Liabilities	<u>127 558 50</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	473 721 50
Unrestricted	<u>378 011 00</u>
Total Net Assets	<u>851 732 50</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>979 291 00</u></u>

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

TOWNSHIP OF SAGE
Gladwin County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2007

	<u>Expenses</u>	<u>Program Revenue</u> <u>Charges for Services</u>	<u>Governmental Activities</u> <u>Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	19 154 13	-	(19 154 13)
General government	98 106 42	7 609 89	(90 496 53)
Public safety	76 025 43	3 100 00	(72 925 43)
Public works	212 323 62	135 385 00	(76 938 62)
Culture and recreation	1 150 00	-	(1 150 00)
Interest on long-term debt	9 135 47	-	(9 135 47)
Total Governmental Activities	<u>415 895 07</u>	<u>146 094 89</u>	<u>(269 800 18)</u>
General Revenues:			
Property taxes			125 797 53
State revenue sharing			182 403 69
Interest			3 936 82
Miscellaneous			<u>11 300 51</u>
Total General Revenues			<u>323 438 55</u>
Change in net assets			53 638 37
Net assets, beginning of year			<u>798 094 13</u>
Net Assets, End of Year			<u>851 732 50</u>

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

TOWNSHIP OF SAGE
Gladwin County, Michigan

BALANCE SHEET – GOVERNMENTAL FUND
March 31, 2007

	<u>General</u>
<u>Assets</u>	
Cash in bank	349 760 41
Taxes receivable	<u>28 250 59</u>
Total Assets	<u><u>378 011 00</u></u>
<u>Liabilities and Fund Equity</u>	
Liabilities	<u>-</u>
Total liabilities	<u>-</u>
Fund equity:	
Fund balances:	
Unreserved:	
Undesignated	<u>378 011 00</u>
Total fund equity	<u><u>378 011 00</u></u>
Total Liabilities and Fund Equity	<u><u>378 011 00</u></u>

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

TOWNSHIP OF SAGE
Gladwin County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUND
TO THE STATEMENT OF NET ASSETS

March 31, 2007

TOTAL FUND BALANCE – GOVERNMENTAL FUND	378 011 00
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund balance sheet:	
Capital assets at cost	658 855 00
Accumulated depreciation	(57 575 00)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental fund:	
Note payable	<u>(127 558 50)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>851 732 50</u>

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

TOWNSHIP OF SAGE
Gladwin County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUND
Year ended March 31, 2007

	<u>General</u>
Revenues:	
Property taxes	125 797 53
Licenses and permits	5 624 89
State revenue sharing	182 403 69
Interest	3 936 82
Rent	5 085 00
Special assessments	135 385 00
Miscellaneous	11 300 51
Total revenues	<u>469 533 44</u>
Expenditures:	
Legislative:	
Township Board	19 154 13
General government:	
Supervisor	6 236 69
Elections	2 621 53
Assessor	27 136 72
Clerk	10 512 28
Board of Review	1 800 00
Treasurer	16 815 64
Building and grounds	24 758 56
Public safety:	
Fire protection	70 644 69
Planning and zoning	5 380 74
Public works:	
Highways and streets	75 957 24
Sanitation	136 366 38
Culture and recreation:	
Parks and recreation	1 150 00
Debt service	93 212 00
Total expenditures	<u>491 746 60</u>
Excess (deficiency) of revenues over expenditures	(22 213 16)
Fund balance, April 1	<u>400 224 16</u>
Fund Balance, March 31	<u>378 011 00</u>

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

TOWNSHIP OF SAGE
Gladwin County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2007

NET CHANGE IN FUND BALANCE – TOTAL GOVERNMENTAL FUND (22 213 16)

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

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

Depreciation Expense (8 225 00)
Capital Outlay -

Repayment of debt principal is an expenditure in the governmental funds, the
repayment does not have an effect in the statement of activities but does
reduce the debt balance in the statement of net assets.

Principal payments on long-term debt 84 076 53

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES 53 638 37

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

TOWNSHIP OF SAGE
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Joint Venture

The Township and the Townships of Buckeye, Hay, Gladwin, Grout and Sherman and the City of Gladwin jointly formed the Gladwin Rural Urban Fire Protection District to provide fire protection service for the seven local governmental units. For the fiscal year ended March 31, 2007, the Township of Sage paid \$69,444.69 to the Fire District. The Fire District is not considered a part of the reporting entity of the Township of Sage. Separate financial statements of the Fire District may be obtained directly from their office at 710 East Cedar Avenue, Gladwin, Michigan.

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

TOWNSHIP OF SAGE
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

Governmental Funds

General Fund

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

Fiduciary Fund

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

Assets, Liabilities and Net Assets or Equity

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

Receivables

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

Inventories

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

Property Taxes

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

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2006 tax roll millage rate was 1.7827 mills, and the taxable value was \$72,062,272.00.

TOWNSHIP OF SAGE
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Encumbrances

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

Capital Assets

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

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

Compensated Absences (Vacation and Sick Leave)

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

Post-employment Benefits

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

Fund Equity

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

Note 2 – Budgets and Budgetary Accounting

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

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.

TOWNSHIP OF SAGE
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 2 – Budgets and Budgetary Accounting (continued)

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 financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

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

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

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

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

	<u>Carrying Amounts</u>
Total Deposits	<u>349 760 41</u>

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

	<u>Bank Balances</u>
Insured (FDIC)	183 722 94
Uninsured and Uncollateralized	<u>176 120 08</u>
Total Deposits	<u>359 843 02</u>

The Township of Sage did not have any investments as of March 31, 2007.

TOWNSHIP OF SAGE
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 4 – Capital Assets

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

	<u>Balance</u> <u>4/1/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>3/31/07</u>
<u>Governmental Activities:</u>				
Land	191 855 00	-	-	191 855 00
Buildings	455 000 00	-	-	455 000 00
Equipment	<u>12 000 00</u>	<u>-</u>	<u>-</u>	<u>12 000 00</u>
Total	658 855 00	-	-	658 855 00
Accumulated Depreciation	<u>(49 350 00)</u>	<u>(8 225 00)</u>	<u>-</u>	<u>(57 575 00)</u>
Net Capital Assets	<u>609 505 00</u>	<u>(8 225 00)</u>	<u>-</u>	<u>601 280 00</u>

Note 5 – Pension Plan

The Township has a defined contribution pension plan covering all elected officers and full-time employees. The Township contributes 6.2% of each covered employee's wages to the plan. Each covered employee also contributes 6.2% of their wages to the plan. The net pension expense for the fiscal year ended March 31, 2007, was \$2,070.71.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

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

Note 8 – Building Permits

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

Note 9 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Balance</u> <u>4/1/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/07</u>
Note payable – township hall	<u>211 635 03</u>	<u>-</u>	<u>84 076 53</u>	<u>127 558 50</u>
Total	<u>211 635 03</u>	<u>-</u>	<u>84 076 53</u>	<u>127 558 50</u>

TOWNSHIP OF SAGE
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 10 – Note Payable – Township Hall

On August 31, 2000, the Township entered into an installment purchase agreement, whereby the Township obtained a \$420,000.00 loan from Chemical Bank to partially fund the construction of a new Township Hall. The loan requires monthly payments in the amount of \$3,601.00, including principal and interest at the rate of 6.25% per annum, subject to future adjustment. As of March 31, 2007, the principal balance outstanding was \$127,558.50.

TOWNSHIP OF SAGE
Gladwin County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	123 860 00	123 860 00	125 797 53	1 937 53
Licenses and permits	12 000 00	12 000 00	5 624 89	(6 375 11)
State revenue sharing	180 000 00	180 000 00	182 403 69	2 403 69
Interest	2 500 00	2 500 00	3 936 82	1 436 82
Rent	11 000 00	11 000 00	5 085 00	(5 915 00)
Special assessments	136 000 08	136 000 08	135 385 00	(615 08)
Miscellaneous	500 00	500 00	11 300 51	10 800 51
Total revenues	465 860 08	465 860 08	469 533 44	3 673 36
Expenditures:				
Legislative:				
Township Board	34 700 08	35 050 08	19 154 13	(15 895 95)
General government:				
Supervisor	6 500 00	6 500 04	6 236 69	(263 35)
Elections	2 250 00	2 725 00	2 621 53	(103 47)
Assessor	32 600 00	33 300 00	27 136 72	(6 163 28)
Clerk	10 600 00	10 600 04	10 512 28	(87 76)
Board of Review	1 210 00	1 810 00	1 800 00	(10 00)
Treasurer	17 500 00	17 700 04	16 815 64	(884 40)
Building and grounds	39 680 00	46 880 00	24 758 56	(22 121 44)
Public safety:				
Fire protection	67 200 00	70 700 00	70 644 69	(55 31)
Planning and zoning	6 850 04	7 025 04	5 380 74	(1 644 30)
Public works:				
Highways and streets	145 200 08	145 200 08	75 957 24	(69 242 84)
Sanitation	136 500 00	136 500 00	136 366 38	(133 62)
Culture and recreation:				
Parks and recreation	3 800 00	3 800 00	1 150 00	(2 650 00)
Other:				
Contingency	103 973 24	103 973 24	-	(103 973 24)
Debt service	94 000 00	94 000 00	93 212 00	(788 00)
Total expenditures	702 563 44	715 763 56	491 746 60	(224 016 96)
Excess (deficiency) of revenues over expenditures	(236 703 36)	(249 903 48)	(22 213 16)	227 690 32
Fund balance, April 1	236 703 36	249 903 48	400 224 16	150 320 68
Fund Balance, March 31	-	-	378 011 00	378 011 00

TOWNSHIP OF SAGE
Gladwin County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2007

Township Board:	
Wages	2 100 00
Audit and accounting	2 700 00
Memberships and dues	1 394 46
Printing and publishing	1 767 57
Insurance	1 050 00
Equalization	4 251 32
Payroll taxes	1 239 50
Pension	2 070 71
Miscellaneous	2 580 57
	19 154 13
Supervisor:	
Salary	6 200 04
Supplies	36 65
	6 236 69
Elections:	
Wages	2 621 53
Assessor:	
Contracted services	26 613 00
Expenses	523 72
	27 136 72
Clerk:	
Salary	9 500 04
Office expense	1 012 24
	10 512 28
Board of Review:	
Wages	1 800 00
Treasurer:	
Salary	14 500 04
Office expense	2 315 60
	16 815 64
Building and grounds:	
Supplies	1 900 00
Insurance	4 199 00
Utilities	5 896 90
Custodian	4 931 78
Repairs and maintenance	7 830 88
	24 758 56
Fire protection:	
Wages	1 200 00
Contracted services	69 444 69
	70 644 69
Planning and zoning:	
Wages	2 105 00
Permit fees	660 00
Printing and publishing	915 70
Administrator fees	1 700 04
	5 380 74

TOWNSHIP OF SAGE
Gladwin County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2007

Highways and streets	<u>75 957 24</u>
Sanitation:	
Contracted services	135 841 38
Compost site	<u>525 00</u>
	<u>136 366 38</u>
Parks and recreation	<u>1 150 00</u>
Debt service	<u>93 212 00</u>
Total Expenditures	<u><u>491 746 60</u></u>

TOWNSHIP OF SAGE
Gladwin County, Michigan

CURRENT TAX COLLECTION FUND STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2007

	<u>Balance</u> 4/1/06	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> 3/31/07
<u>Assets</u>				
Cash in Bank	1 793 89	2 133 759 16	2 135 553 05	-
<u>Liabilities</u>				
Due to other funds	100 00	239 450 81	239 550 81	-
Due to others	1 693 89	1 894 308 35	1 896 002 24	-
Total Liabilities	1 793 89	2 133 759 16	2 135 553 05	-

TOWNSHIP OF SAGE
Gladwin County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2007

Cash on hand and in bank – beginning of year	<u>1 793 89</u>
Cash receipts:	
Property tax	2 132 366 86
Animal licenses	<u>1 392 30</u>
Total cash receipts	<u>2 133 759 16</u>
Total beginning balance and cash receipts	<u>2 135 553 05</u>
Cash disbursements:	
Township General Fund	239 550 81
Clare-Gladwin ISD	133 531 79
Gladwin Community Schools	586 479 08
Gladwin County	1 084 640 16
Mid-Michigan Community College	80 125 34
Refunds	<u>11 225 87</u>
Total cash disbursements	<u>2 135 553 05</u>
Cash on Hand and in Bank – End of Year	<u><u>-</u></u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

July 17, 2007

To the Township Board
Township of Sage
Gladwin County, Michigan

We have audited the financial statements of the Township of Sage for the year ended March 31, 2007. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

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

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

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

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

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

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

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To the Township Board
Township of Sage
Gladwin County, Michigan

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

SIGNIFICANT ACCOUNTING POLICIES

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

OTHER COMMUNICATIONS

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

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

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

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

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2007.

SUMMARY

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

Sincerely,

Campbell, Kusterer & Co., PC
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants