Michigan Department of Treasury
496 (02/06)

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	Local Unit Name	County
☐County ☐City ☒Twp ☐Village ☐Other	Township of Sand Beach	Huron

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
3/31/06	4/27/06	7/14/06

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

	YES	NO	**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	☒	
The letter of Comments and Recommendations	☒	
Other (Describe)	☐	No other reports required

Certified Public Accountant (Firm Name)	Telephone Number		
Nietzke & Faupel, P.C.	989-453-3122		
Street Address	**City**	**State**	**Zip**
7274 Hartley Street	Pigeon	MI	48755

Authorizing CPA Signature	Printed Name	License Number
Brian Hazard, CPA	Brian Hazard, CPA	1101014007

TOWNSHIP OF SAND BEACH
HURON COUNTY, MICHIGAN

FINANCIAL REPORT
MARCH 31, 2006

TOWNSHIP OF SAND BEACH

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TOWNSHIP OF SAND BEACH

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Nietzke & Faupel, PC

Members of: Michigan Association of Certified Public Accountants • American Institute of Certified Public Accountants

CPA's On Your Team

INDEPENDENT AUDITOR'S REPORT

Honorable Township Board Members
Township of Sand Beach
Huron County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Sand Beach, Huron County, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the Township of Sand Beach's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Sand Beach'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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Sand Beach, Huron County, Michigan, as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and other required supplementary information as 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.

(Continued)

Circular 230 Disclosure: To the extent the above contains an opinion on one or more federal tax issues such opinion was not written to be used and cannot be used for the purpose of avoiding penalties.

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Independent Auditor's Report (Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Sand Beach's basic financial statements. The supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nietzke & Faupel, PC

NIETZKE & FAUPEL, P.C.
PIGEON, MICHIGAN

April 27, 2006

Our discussion and analysis of Sand Beach Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2006. Please read it in conjunction with the Township's financial statements.

Financial Highlights

The following points represent the most significant financial highlights for the year ended March 31, 2006. These points are discussed in further detail in this discussion and analysis.

- The fund balance in the general fund increased from $371,261 to $582,244 during the past year. This increase of $210,982 is due primarily from two areas: a limited road construction year in which we spent only $16,800 out of a budgeted $197,870, accounting for $181,070 of the total increase (a planned under-expenditure to build fund equity for future large road projects), and interest income exceeding budgeted amounts by $10,837.
- State Revenue Sharing payments for the year totaled $102,915. This was $1,085 lower than the budgeted amount of $104,000. For comparison, the State Revenue Sharing payments for fiscal year 2004-05 totaled $103,734.
- The Township levied a Second Supplemental Special Assessment to cover the anticipated shortfall in the Water Line bond funding. The bonds are now 100% funded, so, even without any growth in the water district, the bonds can be paid in full from the assessments levied.
- The Township also refunded the 1999 Series Bonds to take advantage of the existing lower interest rates. This lowered the average interest cost of the bonds from 5.38% to 4.44%. This amounts to a gross savings of $284,272 (or a net present value savings of $85,384) over the life of the bonds.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view. They tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

The Township as a Whole

The following table shows a condensed view of the net assets as of March 31, 2006:

		Governmental Activities	Business-Type Activities	March 31, 2006 Total	March 31, 2005 Total
Current assets		$ 704,466	$ 2,294,945	$ 2,999,411	$ 1,321,726
Noncurrent assets		60,844	2,638,128	2,698,972	3,615,754
	Total assets	$ 765,310	$ 4,933,073	$ 5,698,383	$ 4,937,480
Current liabilities		$ 6,000	$ 450	$ 6,450	$ 7,549
Noncurrent liabilities			3,607,071	3,607,071	3,175,519
	Total liabilities	$ 6,000	$ 3,607,521	$ 3,613,521	$ 3,183,068
Net assets:					
	Invested in capital assets-Net of related debt	$ 60,844	$ 272,738	$ 333,582	$ 363,277
	Restricted	85,173	711,164	796,337	821,561
	Unrestricted	613,293	341,650	954,943	569,574
	Total net assets	$ 759,310	$ 1,325,552	$ 2,084,862	$ 1,754,412

Unrestricted net assets for governmental activities, the part of net assets that can be used to finance day-to-day operations, ended the fiscal year with a balance of $613,293. This is approximately 81% of the total net assets for governmental activities.

The following table shows the changes of the net assets during the year ended March 31, 2006 and, for comparison purposes, the year ended March 31, 2005 totals.

	Govern-mental Activities	Business-Type Activities	March 31, 2006 Total	March 31, 2005 Total
Net assets-beginning of year	**$546,699**	**$1,207,713**	**$1,754,412**	**$1,757,268**
Revenue				
Charges for services	36,581	75,131	111,712	102,797
Property taxes	238,636		238,636	232,105
State shared revenues	103,740		103,740	104,559
Unrestricted investment earnings	16,473	17,404	33,877	7,774
Miscellaneous	10,488	231,672	242,160	210,007
Total revenues	405,918	324,207	730,125	657,242
Expenses				
General government	71,017		71,017	71,494
Public safety	55,046		55,046	53,708
Highways & public improvements	32,437		32,437	267,711
Cemetery	22,446		22,446	18,633
Sanitation	13,700		13,700	13,529
Water		206,368	206,368	235,022
Total expenses	194,646	206,368	401,014	660,097
Change in net assets	211,272	117,839	329,111	(2,856)
Prior period adjustment	1,339		1339	
Net assets – ended of year	**$759,310**	**$1,325,552**	**$2,084,862**	**$1,754,412**

Business-type Activities

The Township's business-type activities consist of a Water Fund. The Township supplies water to residents in a district along the M-25 corridor east to the Lake Huron shoreline. The water fund had a net income of $117,839 for the year.

Capital asset and Debt Administration

As of March 31, 2006, Sand Beach Township had a total of approximately $2,483,582 (net of depreciation) invested in capital assets including land, tile, buildings, equipment, water tower, and water distribution lines.

Debt service totaled $265,818 ($125,000 principal, $85,228 interest, and $55,590 bond refunding expense) in the past year on bonded debt with a remaining outstanding balance of $2,150,000.

Economic Factors and Next Year's Budgets and Rates

The Township anticipates re-paving 4 miles of McIntosh Road in the next 3 years. This project is expected to be paid with funds collected in the previous year for road construction as well as with funds to be collected in the next 3 years.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. Questions about this report or requests for additional information should be addressed to Wade Mazure, Township Supervisor, 6573 Learman Road, Harbor Beach, MI 48441 or to Warren Geiger, Township Clerk, 8665 Lincoln Road, Harbor Beach, MI 48441.

BASIC FINANCIAL STATEMENTS

TOWNSHIP OF SAND BEACH

STATEMENT OF NET ASSETS
MARCH 31, 2006

ASSETS	GOVERNMENTAL ACTIVITES	BUSINESS-TYPE ACTIVITIES	TOTALS
Cash and investments	$ 695,281	$ 90,293	$ 785,574
Cash and investments - restricted		711,164	711,164
Receivables:			
Taxes	9,185		9,185
Accounts		14,411	14,411
Assessments		1,479,077	1,479,077
Capital assets:			
Land and building	97,399		97,399
Water lines and tower		2,695,275	2,695,275
Equipment	13,521	13,082	26,603
Cemetery improvements	3,600		3,600
Less: Accumulated depreciation	(53,676)	(285,619)	(339,295)
Deferred charges (net of accumulated amortization)		215,390	215,390
TOTAL ASSETS	765,310	4,933,073	5,698,383
LIABILITIES			
Accounts and payroll withholdings payable	6,000	450	6,450
Bonds payable-Current portion		125,000	125,000
Deferred revenue		1,457,071	1,457,071
Bonds payable		2,025,000	2,025,000
TOTAL LIABILITIES	6,000	3,607,521	3,613,521
NET ASSETS			
Invested in capital assets, net of related debt	60,844	272,738	333,582
Restricted for:			
Perpetual care	81,093		81,093
Fire protection	4,080		4,080
Debt service		711,164	711,164
Unrestricted	613,293	341,650	954,943
TOTAL NET ASSETS	$ 759,310	$ 1,325,552	$ 2,084,862

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

TOWNSHIP OF SAND BEACH

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2006

		PROGRAM REVENUES			NET (EXPENSE) REVENUES & CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
Governmental Activities							
General government	$ 71,017				$ (71,017)		$ (71,017)
Public safety	55,046				(55,046)		(55,046)
Highways and public improvements	32,437				(32,437)		(32,437)
Cemetery	22,446	$ 20,100			(2,346)		(2,346)
Sanitation	13,700	16,481			2,781		2,781
Total governmental activities	194,646	36,581	-	-	(158,065)		(158,065)
Business-Type Activities							
Water	206,368	75,131				$ (131,237)	(131,237)
Total Government	$ 401,014	$ 111,712	$ -	$ -	(158,065)	(131,237)	(289,303)
		General Revenue:					
		Property taxes			238,636		238,636
		Intergovernmental			103,740		103,740
		Unrestricted investment earnings			16,473	17,404	33,877
		Miscellaneous			10,488	231,672	242,160
		Total general revenues and transfers			369,337	249,076	618,413
		Change in net assets			211,272	117,839	329,111
		Net assets - beginning			546,699	1,207,713	1,754,412
		Prior period adjustment			1,339		1,339
		Net assets - ending			$ 759,310	$1,325,552	$2,084,862

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

TOWNSHIP OF SAND BEACH

BALANCE SHEET - GOVERNMENTAL FUNDS
MARCH 31, 2006

ASSETS	GENERAL	CEMETERY	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Cash and investments	$ 576,081	$ 37,361	$ 81,839	$ 695,281
Receivables:				
Taxes	9,185			9,185
TOTAL ASSETS	$ 585,266	$ 37,361	$ 81,839	$ 704,466
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts and payroll withholdings payable	$ 3,022	$ 2,978		$ 6,000
TOTAL LIABILITIES	3,022	2,978		6,000
FUND BALANCES:				
Reserved for roads	87,565			87,565
Reserved for fire protection	4,080			4,080
Reserved for perpetual care			$ 81,839	81,839
Unreserved	490,599	34,383	-	524,982
TOTAL FUND BALANCES	582,244	34,383	81,839	698,466
TOTAL LIABILITIES AND FUND BALANCES	$ 585,266	$ 37,361	$ 81,839	$ 704,466

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

TOWNSHIP OF SAND BEACH

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO GOVERNMENTAL ACTIVITIES NET ASSETS MARCH 31, 2006

Total governmental fund balances	$ 698,466
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. The cost of the assets is $114,520 less the accumulated depreciation of $53,676.	60,844
Net assets - governmental activities	$ 759,310

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

TOWNSHIP OF SAND BEACH

STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2006

	GENERAL	CEMETERY	OTHER NONMAJOR GOVERNMENTAL FUND	TOTAL GOVERNMENTAL FUNDS
REVENUE:				
Taxes	$ 238,636			$ 238,636
Licenses and permits	1,000			1,000
Intergovernmental revenues	103,740			103,740
Charges for services	16,481	$ 19,625	$ 475	36,581
Investment income	14,637		1,836	16,473
Other	9,463	25		9,488
TOTAL REVENUE	383,957	19,650	2,311	405,918
EXPENDITURES:				
General government	71,792			71,792
Public safety	55,046			55,046
Public works	32,437			32,437
Sanitation	13,700			13,700
Cemetery		22,446		22,446
TOTAL EXPENDITURES	172,975	22,446	-	195,421
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	210,982	(2,796)	2,311	210,497
OTHER FINANCING SOURCES (USES):				
Operating transfers	-	1,840	(1,840)	-
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	210,982	(956)	471	210,497
FUND BALANCE - APRIL 1	371,261	34,001	81,368	486,630
PRIOR PERIOD ADJUSTMENT		1,339		1,339
FUND BALANCE - MARCH 31	$ 582,244	$ 34,383	$ 81,839	$ 698,466

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

TOWNSHIP OF SAND BEACH

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2006

Net change in fund balance - governmental funds		$ 210,497
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the *Statement of Activities*, assets with an initial, individual cost of more than $1,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlays	$ 5,030	
Depreciation expense	(4,255)	775
Change in net assets of governmental activities		$ 211,272

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

TOWNSHIP OF SAND BEACH

STATEMENT OF NET ASSETS - PROPRIETARY FUND
MARCH 31, 2006

ASSETS	WATER FUND
CURRENT ASSETS:	
Cash	$ 90,293
Accounts receivable	14,411
Assessments receivable	22,006
TOTAL CURRENT ASSETS	126,710
RESTRICTED ASSETS:	
Cash-Debt service	202,863
Investments-Debt service	508,301
TOTAL RESTRICTED ASSETS	711,164
CAPITAL ASSETS:	
Water lines and tower	2,695,275
Equipment	13,082
	2,708,357
Less: Accumulated depreciation	(285,619)
CAPITAL ASSETS - NET	2,422,738
OTHER ASSETS:	
Assessments receivable	1,457,071
Deferred charges (net of accumulated amortization)	215,390
TOTAL OTHER ASSETS	1,672,461
TOTAL ASSETS	4,933,073
LIABILITIES	
CURRENT LIABILITIES:	
Payroll taxes payable	450
TOTAL CURRENT LIABILITIES	450
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:	
Bonds payable - County	125,000
TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS	125,000
NONCURRENT LIABILITIES:	
Bonds payable - County	2,025,000
Deferred revenue	1,457,071
TOTAL NONCURRENT LIABILITIES	3,482,071
TOTAL LIABILITIES	3,607,521
NET ASSETS	
Invested in capital assets, net of related debt	272,738
Restricted for:	
Debt service	711,164
Unrestricted	341,650
TOTAL NET ASSETS	$ 1,325,552

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

TOWNSHIP OF SAND BEACH

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED MARCH 31, 2006

	WATER FUND
OPERATING REVENUE:	
Charges for services	$ 75,131
TOTAL OPERATING REVENUE	75,131
OPERATING EXPENSES:	
Bookkeeping	1,414
Mileage	284
Miscellaneous	613
Postage	294
Supplies	1,924
Taxes - Payroll	832
Utilities	976
Wages	10,483
Water purchased	23,800
Water testing	412
Depreciation	55,470
Professional fees	1,760
Repairs	1,896
Insurance	2,892
TOTAL OPERATING EXPENSES	103,050
OPERATING (LOSS)	(27,919)
NONOPERATING REVENUE (EXPENSES):	
Investment income	17,404
Rental income	5,000
Special assessments	226,278
Special assessment expense	(932)
Late fees	245
Miscellaneous revenue	149
Interest expense	(101,796)
Fees	(590)
TOTAL NONOPERATING REVENUE	145,758
CHANGE IN NET ASSETS	117,839
NET ASSETS - APRIL 1	1,207,713
NET ASSETS - MARCH 31	$ 1,325,552

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

TOWNSHIP OF SAND BEACH

STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE YEAR ENDED MARCH 31, 2006

	WATER FUND
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	$ 81,745
Cash payments for goods and services	(37,007)
Cash payments to employees	(10,483)
NET CASH PROVIDED BY OPERATING ACTIVITIES	34,255
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal paid on bonds	(125,000)
Interest and fees paid on bonds	(85,816)
Collection of special assessments	221,919
Payment on bond refunding	(55,000)
NET CASH (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITES	(43,897)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income	3,440
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,440
NET DECREASE IN CASH	(6,202)
CASH - APRIL 1	299,359
CASH - MARCH 31	$ 293,157
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating (loss)	$ (27,919)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:	
Depreciation	55,470
Change in assets and liabilities:	
Decrease in accounts receivable	1,220
Decrease in due from general fund	153
(Decrease) in payroll taxes payable	(63)
Miscellaneous income and fees	394
Rental income	5,000
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 34,255

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

TOWNSHIP OF SAND BEACH

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Description of Township Operations:

The Township is located in Huron County, Michigan, and has approximately 1,470 residents. It is governed by a five person elected board and provides the following services to its residents: fire protection, highways and streets, sanitation facility, general administrative services and water services.

The Township's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The accounting policies of the Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The more significant accounting policies established in GAAP and used in the Township are discussed below.

Reporting Entity:

In evaluating how to define the Township for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the related GASB 14 pronouncement. The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Township is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no organizations that are deemed to be component units of the Township.

Government Wide and Fund Financial Statements:

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Township's general administrative services, public safety, highways and public improvements, sanitation and cemetery, are classified as governmental activities. The Township's water activities are classified as business-type activities.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. 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 support.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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 which are clearly identifiable with 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 and proprietary funds. Major individual governmental funds and major individual enterprise 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, as are the proprietary 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 revenue in the year for which they become available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Township are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

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. 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Sales taxes, franchise taxes, and earned but unreimbursed state and federal grants 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. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received by the Township.

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

The Township reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Cemetery Fund – The Cemetery Fund is a special revenue fund used by the Township to account for the revenue and activities of the Township's cemetery. Special Revenue Funds account for resources legally restricted to expenditures for specified current operating purposes and for the enforcement of special services and activities.

The Township reports the following major proprietary fund:

Water Fund – The Water Fund accounts for the activities of the Township's water distribution system.

Additionally, the Township reports the following nonmajor fund type:

Permanent Fund – The Permanent Fund is legally restricted to expenditures for the perpetual care of the cemetery.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by various enterprise funds for providing administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 operation. The principal operating revenues of the Utility enterprise fund are charges to customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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"). All other outstanding balances between funds are reported as "due to/from other funds."

Other receivables at March 31, 2006 consist of property taxes, state road taxes, and billings for user charged services, including utility services. Taxes and utility charges are deemed collectible in full.

Property Taxes:

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 delinquent real property taxes of the Township are purchased by the County of Huron. The County sells tax notes, the proceeds of which are used to pay the Township for these property taxes. These taxes have been recorded as revenue for the current year.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical costs or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Capital Assets: (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Infrastructure	15 to 50
Buildings	25 to 50
Machinery and equipment	5 to 20
Improvements other than buildings	20

Depreciation of capital assets used by governmental funds is charged as an expense against their operations on the Statement of Activities. Accumulated depreciation is reported on the governmental fund Statement of Net Assets. Depreciation expense for the year ended March 31, 2006 was $4,255. Capital asset acquisitions in the governmental funds totaled $5,030 for the year ended March 31, 2006 and there were no asset dispositions. A summary of Governmental Fund capital assets at March 31, 2006, follows:

	March 31,	
	2006	**2005**
Land	$13,120	$13,120
Land improvements	3,600	3,600
Buildings	84,279	79,249
Equipment	13,521	13,521
Less accumulated depreciation	(53,676)	(49,421)
NET GOVERNMENTAL FUND CAPITAL ASSETS	$60,844	$60,069

Depreciation of capital assets used by business-type funds is charged as an expense against their operations. Accumulated depreciation is reported on business-type fund balance sheets. Depreciation expense for the year ended March 31, 2006 was $55,470. There were no capital asset acquisitions in the business-type funds or asset dispositions for the year ended March 31, 2006. A summary of Business-Type Fund capital assets at March 31, 2006, follows:

	March 31,	
	2006	**2005**
Water system and tower	$2,695,275	$2,695,275
Equipment	13,082	13,082
Less accumulated depreciation	(285,619)	(230,149)
NET BUSINESS-TYPE FUND CAPITAL ASSETS	$2,422,738	$2,478,208

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Capital Assets: (Continued)

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

Governmental activities:	
General government	$ 2,886
Cemetery	1,369
Total depreciation expense – governmental activities	$ 4,255
Business-type activities:	
Water	$55,470
Total depreciation expense – business-type activities	$55,470

Long-Term Obligations:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amounts of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Use of Estimates:

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures/expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 – BUDGET COMPLIANCE:

In the required supplemental information, the Township's actual expenditures and budgeted expenditures, as amended, for budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted to the line item level.

P.A. 2 of 1968, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. Actual expenditures exceeded budgeted expenditures in the following budgetary funds.

(Continued)

NOTE 2 – BUDGET COMPLIANCE: (CONTINUED)

	TOTAL APPROPRIATION	AMOUNT OF EXPENDITURES	BUDGET VARIANCE
General Fund:			
Capital Outlay	$1,850	$5,850	($4,000)

NOTE 3 – DETAIL NOTES ON ALL FUNDS:

A. Deposits and investments:
Deposits and investments at March 31, 2006 consist of the following:

		Weighted Average Maturity
Deposits		
Cash in bank		
Checking	$ 250,889	
Certificates of deposit	51,504	
Investments (Market value)		
Money market fund	112,131	.0027*
Federal Home Loan Bank Bond (3.5% interest, due 11/15/07, Rated AAA)	477,946	1.63
Government securities mutual fund	604,268	.0027
Total cash and investments	$1,496,738	

* .0027 equals one day maturity

Deposits—The amount of the Township's deposits at March 31, 2006, that were covered by federal depository insurance totaled $151,504 and $150,158 were uninsured and uncollateralized.

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 obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Attorney General's Opinion Number 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Township's deposits are in accordance with statutory authority. The Township's investment policy does not specifically address credit risk, custodial credit risk, concentration of credit risk, or interest rate risk in accordance with GASB Statement 40.

(Continued)

NOTE 3 – DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS: (CONTINUED)

B. Property taxes are levied based on the taxable value of property located in the Township. Assessed value is established annually and equalized by the State at an estimated 50% of current market value. A comparison of the assessed and taxable property values for the 2005 tax levy is as follows:

	ASSESSED VALUE	TAXABLE VALUE
Real property-Regular roll	$74,501,300	$56,300,550
Personal property-Regular roll	1,933,100	1,933,100
TOTAL	$76,434,400	$58,233,650

For the year ended March 31, 2006, the Township levied 1.09 mills for general governmental services, 1.87 mills for roads, and .915 mills for fire. Total millage levied was 3.875.

C. Risk Management:

Sand Beach Township participates in the Michigan Township Participating Plan, which is a public entity risk pool, for the coverage of significant losses due to its general liability. The participation in the pool constitutes transfer of the risk for significant losses to the pool for real and personal property losses and for liability losses. Sand Beach Township is required to pay annual premiums to the Michigan Township Participating Plan for the liability coverage. No supplemental premium assessment is required by the Michigan Township Participating Plan. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 4 – LONG-TERM DEBT:

The general obligation bond payable to Huron County D.P.W. provides for semi-annual payments sufficient in amount to pay the County D.P.W. bonds. The following is a summary of the County D.P.W. bond transactions for the year ended March 31, 2006:

Balance April 1, 2005	$2,175,000
2005 Refunding bonds issued	1,900,000
1999 bonds refunded	(1,800,000)
Principal payments	(125,000)
Balance March 31, 2006	$2,150,000

The following is a summary of annual principal and interest payments for the Township's bonds payable at March 31:

	PRINCIPAL	INTEREST	TOTAL	RATE
2007	$ 125,000	$ 80,076	$ 205,076	4.80%
2008	625,000	74,076	699,076	4.85%
2009	135,000	49,738	184,738	3.00%
2010	130,000	45,438	175,438	3.50%
2011	130,000	40,888	170,888	3.50%
2012 - 2016	635,000	132,641	767,641	3.78%
2017 - 2020	370,000	21,922	391,922	3.96%
	$2,150,000	$444,779	$2,594,779	

(Continued)

NOTE 4 – LONG-TERM DEBT: (CONTINUED)

In August 2005, the general obligation bonds payable to Huron County D.P.W., Series 1999, were redeemed and replaced with a new issuance of bonds dated August 18, 2005 in the amount of $1,900,000. The refunding was undertaken to reduce total future debt service payments. The reacquisition price exceeded the net carrying amount of the old debt by $82,088. This amount is being amortized over the new debt's life, which is two years less than the life of the refunded debt. The transaction also resulted in an economic gain of $50,312 and a reduction of $229,272 in future debt service payments.

NOTE 5 – JOINT VENTURE:

Fire Protection – Pursuant to an inter-local agreement dated September 10, 1984 between the Township and the City of Harbor Beach, fire protection services are provided by the Harbor Beach Community Fire Protection Association. At inception, the Township contributed $200,400 for its equity interest in the equipment of the Association. The Township makes annual operating contributions to the Association based on a formula involving SEV, population, dwelling units, number of fire runs and miles of roads which is included in the agreement and amounted to $49,786 for the year ended March 31, 2006. The equity interest is calculated based on the Township's total contributions as a percentage of all contributions received by the Association. As of March 31, 2006, the equity interest recorded by the Township consists of the original contribution in the amount of $200,400. Separate financial statements through 2004 for the joint venture are available from the Harbor Beach Community Fire Protection Association. As of December 31, 2004, general fund equity was $175,712 and general fixed assets amounted to $707,839.

Ambulance Service – Pursuant to an interlocal agreement dated October 2, 1978 between the Township and the City of Harbor Beach, the Villages of Port Hope and Forestville, and Townships of Bloomfield, Gore, Huron, Rubicon, Sherman, the north half of Delaware and the east half of Sigel, ambulance service is provided by the Eastern Huron Ambulance Service Association. The Township makes annual operating contributions to the Association based on population of the Township which amounted to $4,410 for the year ended March 31, 2006. The equity interest is calculated based on the Township's total contributions as a percentage of all contributions received by the Association. However, upon withdrawal by a constituent unit, the equity interest can be received only in the form of ambulance runs. Separate financial statements for the joint venture are available from the Eastern Huron Ambulance Service Association. As of December 31, 2004, fund equity amounted to $365,190.

REQUIRED SUPPLEMENTAL INFORMATION

TOWNSHIP OF SAND BEACH

GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)
TAXES:				
Taxes	$ 215,500	$ 215,500	$ 216,251	$ 751
Administration fees	18,900	19,277	22,385	3,108
TOTAL TAXES	234,400	234,777	238,636	3,859
LICENSES AND PERMITS	1,000	1,000	1,000	-
INTERGOVERNMENTAL:				
State revenue sharing	104,000	104,000	102,915	(1,085)
Liquor fees	800	825	825	-
TOTAL INTERGOVERNMENTAL	104,800	104,825	103,740	(1,085)
CHARGES FOR SERVICES	16,000	16,000	16,481	481
INTEREST	3,800	3,800	14,637	10,837
OTHER REVENUE	4,100	4,100	9,463	5,363
TOTAL REVENUES	364,100	364,502	383,957	19,455
EXPENDITURES:				
GENERAL GOVERNMENT:				
Supervisor and assessor salary	17,820	17,820	17,820	-
Treasurer salary	9,050	9,050	9,050	-
Clerk salary	9,050	9,050	9,050	-
Trustees salaries	2,500	2,500	2,500	-
Administration:				
Supplies and materials	3,000	3,626	3,626	-
Travel	2,000	2,000	1,423	577
Special permit expense	500	500	500	-
Legal and audit	3,200	3,775	1,775	2,000
Printing and publishing	200	200	198	2
Hall repairs	1,500	1,500	861	639
Insurance	4,800	4,800	3,786	1,014
Dues	1,100	1,100	1,064	36
Utilities	1,400	1,539	1,539	-
Taxes - F.I.C.A.	3,800	3,999	3,616	383
Board of review	1,500	1,500	860	640
Summer tax collection	2,800	2,800	2,798	2

TOWNSHIP OF SAND BEACH

GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)
Miscellaneous	3,450	1,893	628	1,265
Contract services	2,300	2,300	1,917	383
Bookkeeping	1,300	1,300	1,115	185
Election	2,000	2,000	89	1,911
Education	2,100	1,612	902	710
Liquor	800	825	825	-
Capital outlay	1,850	1,850	5,850	(4,000)
TOTAL GENERAL GOVERNMENT	78,020	77,539	71,792	5,747
PUBLIC SAFETY:				
Fire protection	51,000	51,000	49,786	1,214
Ambulance	4,410	4,410	4,410	-
Zoning salaries	1,000	1,000	850	150
TOTAL PUBLIC SAFETY	56,410	56,410	55,046	1,364
PUBLIC WORKS:				
Drains at large	500	1,006	1,006	-
Road maintenance and construction	197,870	197,870	16,800	181,070
Ditches	500	500	-	500
Brine	6,400	6,400	6,354	46
Road right of way	2,900	3,277	3,277	-
Hydrant rental	5,000	5,000	5,000	-
TOTAL PUBLIC WORKS	213,170	214,053	32,437	181,616
SANITATION:				
Sanitation salaries	3,500	3,500	3,448	52
Sanitation supplies and materials	13,000	13,000	10,252	2,748
TOTAL SANITATION	16,500	16,500	13,700	2,800
TOTAL EXPENDITURES	364,100	364,502	172,975	191,527
EXCESS OF REVENUE OVER EXPENDITURES	-	-	210,982	210,982
FUND BALANCE - APRIL 1	371,261	371,261	371,261	
FUND BALANCE - MARCH 31	$ 371,261	$ 371,261	$ 582,244	$ 210,982

TOWNSHIP OF SAND BEACH

CEMETERY FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
REVENUE:				
Charges for services	$ 18,400	$18,400	$19,625	$ 1,225
Investment income	100	100		(100)
Other	500	575	25	(550)
TOTAL REVENUE	19,000	19,075	19,650	575
EXPENDITURES:				
Cemetery	26,085	26,160	22,446	3,714
TOTAL EXPENDITURES	26,085	26,160	22,446	3,714
EXCESS OF REVENUE (UNDER) EXPENDITURES	(7,085)	(7,085)	(2,796)	4,288
OTHER FINANCING SOURCES:				
Operating transfers in	2,000	2,000	1,840	(160)
EXCESS OF REVENUE AND OTHER SOURCES (UNDER) EXPENDITURES	(5,085)	(5,085)	(956)	4,128
FUND BALANCE - APRIL 1	34,001	34,001	34,001	
PRIOR PERIOD ADJUSTMENT	1,339	1,339	1,339	
FUND BALANCE - MARCH 31	$ 30,255	$30,255	$34,383	$ 4,128

SUPPLEMENTAL INFORMATION

TOWNSHIP OF SAND BEACH

TAX COLLECTION AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED MARCH 31, 2006

ASSETS	BALANCE APRIL 1, 2005	ADDITIONS	DEDUCTIONS	BALANCE MARCH 31, 2006
Cash in bank	$ -	$1,873,836	$ 1,873,836	$ -
TOTAL ASSETS	$ -	$1,873,836	$ 1,873,836	$ -
LIABILITIES				
Due to Huron County	$ -	$ 659,355	$ 659,355	$ -
Due to schools	-	693,504	693,504	-
Due to library	-	84,101	84,101	-
Due to other funds	-	436,876	436,876	-
TOTAL LIABILITIES	$ -	$1,873,836	$ 1,873,836	-

TOWNSHIP OF SAND BEACH

TAX COLLECTION AGENCY FUND
SCHEDULE OF ADDITIONS AND DEDUCTIONS
FOR THE YEAR ENDED MARCH 31, 2006

ADDITIONS:	
Current property tax	$ 1,842,986
County revolving fund	28,779
Interest	1,981
Miscellaneous	90
TOTAL ADDITIONS	1,873,836
DEDUCTIONS:	
Huron County	325,646
Huron County - SET	333,709
Huron Intermediate School District	254,404
Harbor Beach Community Schools	225,677
Harbor Beach District Library	84,101
Township allocated	58,093
Township roads	104,723
Township fire protection	51,188
Township water assessment	184,703
Siegel School #4	110
Harbor Beach school debt	210,515
SET collection fee	2,798
Other	38,169
TOTAL DEDUCTIONS	1,873,836
NET ADDITIONS OVER DEDUCTIONS	$ -

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JEFFREY P. BUSHEY, CPA
BRIAN V. HAZARD, CPA

Nietzke & Faupel, PC

Members of: Michigan Association of Certified Public Accountants • American Institute of Certified Public Accountants

CPA's On Your Team

To the Township Board
Township of Sand Beach
Huron County, Michigan

During our audit, we noted certain matters involving operational matters that are presented for your consideration. This letter does not affect our report dated April 27, 2006, on the financial statements of the Township of Sand Beach. We will review the status of these comments during our next audit engagement. Our comments and recommendations are intended to improve the Township's accounting records or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

Budget Compliance:

State statutes require that a local unit of government shall not incur expenditures in excess of the amounts appropriated. Included in the disclosures to the Township's financial statements is information related to the Township's budget compliance. It was noted that there was one instance where the Township's actual expenditures exceeded the budgeted amount. This was in the capital outlay expenditure category. As a result, we recommend that the Township Board review and amend its budget prior to expending the funds for any expenditure category that may exceed the budget amount.

Investment Policy:

Currently, the Township's investment policy does not address the risk categories required by GASB Statement 40 and this fact has been included in the disclosures to the financial statements as required. The risk categories that the Township's investment policy should address include credit risk, custodial credit risk, concentration of credit risk, and interest rate risk. We recommend that the Township adopt an amendment to its investment policy that addresses these risk categories. We have provided a sample investment policy to the Township's management to use as a guide for addressing the various risk categories.

We believe that the implementation of these recommendations will provide the Township of Sand Beach with a stronger system of accounting records. We will be happy to discuss the details of these recommendations with you and assist in any way possible with their implementation.

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

Nietzke & Faupel, PC

NIETZKE & FAUPEL, P.C.
Pigeon, Michigan

April 27, 2006

Circular 230 Disclosure: To the extent the above contains an opinion on one or more federal tax issues such opinion was not written to be used and cannot be used for the purpose of avoiding penalties.

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