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	Frost Township	Clare

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
03/31/2006	07/14/2006	September, 19 2006

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). CASH BASIS
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)	☐	

Certified Public Accountant (Firm Name)	Telephone Number
Page, Olson & Company, P.C., CPA'S	989-773-5494

Street Address	City	State	Zip
2865 South Lincoln Road-P.O. Box 368	Mt. Pleasant	MI	48804

Authorizing CPA Signature	Printed Name	License Number
	Bobbie Jo Marr	1101026172

FROST TOWNSHIP, CLARE COUNTY

STATE OF MICHIGAN

AUDITED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2006

FROST TOWNSHIP, CLARE COUNTY
YEAR ENDED MARCH 31, 2006

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FROST TOWNSHIP, CLARE COUNTY
TOWNSHIP OFFICIALS
YEAR ENDED MARCH 31, 2006

SUPERVISOR

Marion Coon

CLERK

Emerson Davis

TREASURER

Janet Spencer

TRUSTEES

Harold Becker

Ken Betot

PAGE
OLSON &
COMPANY P C

INDEPENDENT AUDITORS' REPORT

July 14, 2006

Township Board
Township of Frost
Clare County, Michigan

We have audited the accompanying statements of assets and liabilities arising from cash transactions of the Township of Frost as of March 31, 2006, and the related statement of revenue collected and expenditures paid for the year then ended, as listed in the Table of Contents. These financial statements are the responsibility of the management of the Township of Frost. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. 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.

The Township of Frost has a population of less than 4,000 people and is therefore required by Act 46, Public Acts of 1996 of the State of Michigan, to have an independent audit only biennially. The preceding year has thus not been audited; however, we have performed various tests of the opening balances.

As described in the Summary of Significant Accounting Policies, Note 1-C, the Township prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

As described in Note 1-C, the Township prepared these financial statements using the minimum accounting practices prescribed by the Michigan Department of Treasury to demonstrate compliance with the State's accounting and budget laws, which practices differ from accounting principles generally accepted in the United States of America. The financial statements referred to above do not include the Management Discussion and Analysis or the Government Wide statement presentation that should be included in order to conform with accounting principles generally accepted in the United States of America.

2865 SOUTH LINCOLN ROAD • PO BOX 368 • MT PLEASANT, MI 48804 0368 • 989 773 5494 • FAX 989 773 5816

Township Board
Township of Frost
Clare County, Michigan

In our opinion, because of the omission of the government-wide financial statements and the Managements Discussion and Analysis, the financial statements do not present fairly the assets, liabilities, and cash basis fund balance of the individual funds of the Township of Frost as of March 31, 2006, arising from cash transactions and its revenue collected, expenditures paid and changes in cash basis fund balance for the year ended, in conformity with the basis of accounting described in Note 1- C.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Township's basic financial statements. The Other Supplemental Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The General Fixed Assets Schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Our report of comments and recommendations is included herein and forms a part of this report.

Page, Olsen & Company

FROST TOWNSHIP, CLARE COUNTY
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS - GOVERNMENTAL FUNDS
March 31, 2006

Statement I

	General Fund	Road Fund	Total
Assets			
Cash and Cash Equivalents	$ 101,504	$ 99,439	$ 200,943
Certificates of Deposit	51,546	-	51,546
Due From Other Funds	5	-	5
Total Assets	**$ 153,055**	**$ 99,439**	**$ 252,494**
Liabilities			
Due to Other Governments	$ 1,066	$ -	$ 1,066
Federal Withholdings Payable	2,188	-	2,188
State of Michigan Withholdings Payable	501	-	501
Total Liabilities	**3,755**	**-**	**3,755**
Cash Basis Fund Balances			
Unreserved - Undesignated	149,300	99,439	248,739
Total Liabilities and Cash Basis Fund Balance	**$ 153,055**	**$ 99,439**	**$ 252,494**

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

FROST TOWNSHIP, CLARE COUNTY
STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID, AND CHANGES IN CASH BASIS FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2006

Statement II

	General Fund	Road Fund	Total
Revenue			
Property Taxes			
Current Property Tax	$ 24,324	$ 67,581	$ 91,905
Delinquent Property Taxes	3,741	-	3,741
Special Assessment - Security Lights	1,081	-	1,081
Swamp Land Tax	14,042	-	14,042
Property Tax Fees	4,650	-	4,650
Penalties and Interest on Taxes	680	-	680
Total Property Taxes	48,518	67,581	116,099
Intergovernmental Revenue			
State Revenue Sharing	78,278	-	78,278
PA 48	3,742	-	3,742
Total Intergovernmental Revenue	82,020	-	82,020
Licenses and Permits			
Non-Business Licenses and Permits	632	-	632
Liquor License Fees	1,661	-	1,661
Total Liceses and Permits	2,293	-	2,293
Charges for Services			
Transfer Station	12,753	-	12,753
Cemetary Fees	408	-	408
Property Tax Administration Fees	12,015	-	12,015
Charges for Services	1,107	-	1,107
Total Charges for Services and Sales	26,283	-	26,283
Other Revenue	845	-	845
Interest and Dividend Earnings	1,951	2,271	4,222
Rents and Royalties	250	-	250
Refunds and Reimbursements	639	-	639
Total Revenue	**162,799**	**69,852**	**232,651**
Expenditures			
GENERAL GOVERNMENT			
Township Board	3,344	-	3,344
Supervisor	9,694	-	9,694
Assessor	11,243	-	11,243
Elections	411	-	411
Attorney	1,391	-	1,391
Clerk	15,147	-	15,147
Board of Review	1,420	-	1,420
Treasurer	20,226	-	20,226
Township Hall and Grounds	4,465	-	4,465
Cemetary	494	-	494
Total General Government	67,835	-	67,835

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

FROST TOWNSHIP, CLARE COUNTY
STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID, AND CHANGES IN CASH BASIS FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2006

Statement II

	General Fund	Road Fund	Total
Expenditures (Continued)			
PUBLIC SAFETY			
Fire Protection	$ 25,617	$ -	$ 25,617
Police	27,785	-	27,785
Total Public Safety	53,402	-	53,402
PUBLIC WORKS			
Road Brining	15,710	-	15,710
Street Lights	1,721	-	1,721
Highways and Streets	-	68,536	68,536
Total Public Works	17,431	68,536	85,967
SANITATION			
Transfer Station	11,375	-	11,375
CULTURE AND RECREATION			
Library			
Contracted Services	5,216	-	5,216
PLANNING			
Planning Board/Commission	4,548	-	4,548
Zoning Aministration	331	-	331
Total Panning and Zoning	4,879	-	4,879
OTHER FUNCTIONS			
Fringe Benefits	9,854	-	9,854
Employer Social Security and Medicare	1,410	-	1,410
Miscellaneous	1,208	-	1,208
Insurance Not Charged to Specific Activities	5,376	-	5,376
Total Other Functions	17,848	-	17,848
Total Expenditures	**177,986**	**68,536**	**246,522**
Net Change in Cash Basis Fund Balance	**(15,187)**	**1,316**	**(13,871)**
Cash Basis Fund Balance - April 1	**164,487**	**98,123**	**262,610**
Cash Basis Fund Balance - March 31	**$ 149,300**	**$ 99,439**	**$ 248,739**

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

FROST TOWNSHIP, CLARE COUNTY
STATEMENT OF CASH BASIS FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
March 31, 2006

Statement III

	Property Tax	Long Lake Improvement	Blue Gill Lake Improvement	Totals
Assets				
Cash and Cash Equivalents	$ 5	$ 20,642	$ 6,702	$ 27,349
Liabilities				
Due To Or On Behalf of Others	-	20,642	6,702	27,344
Due To General Fund	5	-	-	5
Total Liabilities	$ 5	$ 20,642	$ 6,702	$ 27,349

FROST TOWNSHIP, CLARE COUNTY
STATEMENT OF CHANGES IN CASH BASIS FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENEDED MARCH 31, 2006

Statement IV

	Property Tax	Long Lake Improvement	Blue Gill Lake Improvement	Totals
ADDITIONS				
Collections:				
Property Taxes & Special Assessments	$ 107,882	$ 16,287	$ 2,716	$ 126,885
Investment Income:				
Interest	-	15	4	19
Total Additions	**107,882**	**16,302**	**2,720**	**126,904**
DEDUCTIONS				
Disbursements:				
Distributed Taxes & Special Assessments	107,882	17,580	1,923	127,385
Change in Net Assets	-	**(1,278)**	**797**	**(481)**
Cash Basis Net Assets - April 1	5	21,920	5,905	27,830
Cash Basis Net Assets - March 31	$ 5	$ 20,642	$ 6,702	$ 27,349

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

FROST TOWNSHIP, CLARE COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Frost Township is a general law Michigan township with a population of less than 4,000 people. The Township is governed by a five member board of officials elected by the Township voters.

A. FINANCIAL REPORTING ENTITY

In evaluating how to define the government, for financial reporting purposes, management has considered all potential agencies and organizations. The decision to include a potential agency or organization in the reporting entity was made by applying the criteria set forth by the Governmental Accounting Standards Board (GASB) Statement 14. Generally, component units are legally separate organizations for which the elected officials of the Township are financially accountable. Financial accountability is determined by the Township's ability to impose its will on the component unit, as well as the unit's significance regarding operational and financial relationship with the Township. Based upon the application of this criteria there were no other units to be included in the financial statements.

B. FUND ACCOUNTING

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, fund balance, revenue, and expenditures as appropriate. The various funds of the Township are as follows:

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.

ROAD FUND

The road fund is a Special Revenue Fund, created through a voted road millage for the Township. The money in this fund is designated for use on roads only. The money is collected once per year with the property taxes.

AGENCY FUNDS

The *Agency funds* are used to account for assets held by the Township as an agent for individual, private organizations, other governments, and for other Funds. These Funds are custodial in nature and do not involve measurement of the results of operations.

Current Property Tax Collection Fund:
The Current Property Tax Collections Fund is used to account for assets held by the Township as an agent for individuals, other governments, and/or other funds.

Long Lake and Blue Gill Lake Improvement Funds:
Frost Township is functioning as a tax collection and paying agent for Long Lake Association and Blue Gill Lake Association. Tax assessments are periodically levied against the Long Lake and Blue Gill Lake property owners along with Frost Township's tax roll. These assessments are then used to pay for Long Lake and Blue Gill Lake Association projects.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIS OF ACCOUNTING AND PRESENTATION

The accounting books and records of the Township of Frost are maintained on a cash basis of accounting during the year and the financial statements have been prepared directly from these books and records. The financial statements do not, therefore, give effect to accounts receivable, accounts payable, and accrued items. Additionally, it does not give effect to the recording of capital assets or related depreciation or accumulated depreciation. Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments sets forth the required financial reporting formats for local governments in accordance with generally accepted accounting principles. The Local Audit and Finance Division of the Michigan Department of Treasury responsible for overseeing local unit compliance has determined that omission of the Management's Discussion and Analysis, the Government-Wide Statements and/or Infrastructure Reporting will not result in any sanctions or remediation, as such the Township has elected to omit these sections of the GASB 34 reporting format.

D. PROPERTY TAXES

Frost Township levies a millage of 0.7495 plus a 1% administration fee for general operations. The Township property tax is levied on December 1. Taxes are payable on a current basis from December 1 to February 28, at which point they become delinquent.

Receipts of current and delinquent property taxes are recorded as revenue in the year in which received. Clare County, the county in which the Township of Frost is located, has a delinquent tax revolving fund whereby the County pays the Township for its delinquent real property taxes. It then becomes the County's responsibility to collect these delinquent taxes from the various taxpayers.

E. INVESTMENTS

Township Investments consist of investments in money market savings and certificates of deposit.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with the basis of accounting utilized by the Township for the general fund. All annual appropriations lapse at fiscal year end.

The budget document presents information at the line item level. The legal level of budgetary control adopted by the board (i.e. the level at which expenditures may not legally exceed appropriations) is the activity level for the General Fund and the fund level for the Road Special Revenue Fund. State law requires the Township to have its budget in place by April 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits Townships to amend its budgets during the year.

NOTE 2 -STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Michigan Public Act 621 of 1978 provides that a local unit shall not incur expenditures in excess of the amount appropriated based on the level of control exercised over the adopted budget. Disclosure of all unfavorable appropriation variances based on the level of control exercised over the adopted budget is as follows:

	Appropriation	Expenditure	Excess
GENERAL FUND			
Police	$ 27,450	$ 27,785	$ 335

NOTE 3 - CASH 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.

Investments can also be made in bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States; repurchase agreements consisting of bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States; bankers' acceptances of United States banks, obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service; commercial paper rated within the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase; mutual funds registered under the investment company act of 1940, with the authority to purchase only investment by a public corporation; obligations described above if purchased through an inter-local agreement under the urban cooperations act of 1967, PA 7,MCL 124.501 to 124.512; investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118, and the investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. The Township's deposits are in accordance with statutory authority.

The Township of Frost's cash and investments during the year consisted of cash in checking accounts, a savings account and certificates of deposit. This is in accordance with statutory authority and within local unit authorization.

Carrying Amount

At year end, the carrying amount of cash and investments held by the Township of Frost was $279,838 as follows:

Deposits with financial institutions:

	Governmental Funds	Fiduciary Funds	Total
Cash in Checking	$ 67,985	$ 27,349	$ 95,334
Cash in Savings	132,958	-	132,958
Certificates of Deposit	51,546	-	51,546
	$ 252,489	$ 27,349	$ 279,838

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

On March 31, 2006 the carrying amount of deposits with financial institutions was $279,838 of which $200,000 was covered by the Federal Deposit Insurance Corporation (FDIC) and $79,838 was uninsured and uncollateralized.

Due to varying cash flows the Township's deposits with financial institutions were higher during the year than at year end. Therefore, there may have been more deposits that were uninsured and uncollateralized at points during the year.

NOTE 4 - PENSION PLAN

Frost Township participates in a defined contribution pension plan, administered by Manufacturers Life Insurance Company. The Plan is available for all Township Officials. Employees can also make voluntary contributions to the plan. For the year ended March 31, 2006, the Township made its required employer contribution of $8,922.91 based on the 2005-2006 compensation. The value of the plan's assets and vested benefits as of March 31, 2006 is $49,729.99.

NOTE 5 - INTERFUNDS

Interfund receivable and payable balances at March 31, 2006 are as follows:

	Due From Other Funds	Due To Other Funds
GENERAL FUND		
Current Property Tax Collections	$ 5	$ -
CURRENT PROPERTY TAX COLLECTION FUND		
General Fund	-	5
	$ 5	$ 5

REQUIRED SUPPLEMENTAL INFORMATION

FROST TOWNSHIP, CLARE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
CASH BASIS BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED MARCH 31, 2006

Schedule 1

	Original Budget	Final Amended Budget	Actual
Revenue			
Property Taxes			
Current Property Tax	$ 24,000	$ 24,000	$ 24,324
Delinquent Property Taxes	5,400	5,400	3,741
Special Assessment - Security Lights	1,200	1,200	1,081
Swamp Land Tax	6,800	6,800	14,042
Property Tax Fees	-	-	4,650
Penalties and Interest on Taxes	-	-	680
Total Property Taxes	37,400	37,400	48,518
Intergovernmental Revenue			
State Revenue Sharing	72,000	72,000	78,278
PA 48	-	-	3,742
Total Intergovernmental Revenue	72,000	72,000	82,020
Licenses and Permits			
Non-Business Licenses and Permits	-	-	632
Liquor License Fees	1,000	1,000	1,661
Total Licenses and Permits	1,000	1,000	2,293
Charges for Services			
Transfer Station	11,000	11,000	12,753
Cemetary Fees	-	-	408
Property Tax Administration Fees	8,000	8,000	12,015
Charges for Services	-	-	1,107
Total Charges for Services and Sales	19,000	19,000	26,283
Other Revenue			845
Interest and Dividend Earnings	500	500	1,951
Rents and Royalties	-	-	250
Refunds and Reimbursements	4,500	4,500	639
Total Revenue	**134,400**	**134,400**	**162,799**
Expenditures			
GENERAL GOVERNMENT			
Township Board	3,985	4,085	3,344
Supervisor	10,070	10,070	9,694
Assessor	12,500	12,500	11,243
Elections	4,000	4,000	411
Attorney	2,000	2,000	1,391
Clerk	19,320	19,320	15,147
Board of Review	1,540	2,140	1,420
Treasurer	22,720	22,720	20,226
Township Hall and Grounds	10,700	10,700	4,465
Cemetary	1,600	1,600	494
Total General Government	88,435	89,135	67,835

FROST TOWNSHIP, CLARE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
CASH BASIS BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED MARCH 31, 2006

Schedule 1

	Original Budget	Final Amended Budget	Actual
Expenditures (Continued)			
PUBLIC SAFETY			
Fire Protection	$ 25,617	$ 25,617	$ 25,617
Police	27,450	27,450	27,785
Total Public Safety	53,067	53,067	53,402
PUBLIC WORKS			
Road Brining	16,500	16,500	15,710
Street Lights	2,000	2,000	1,721
Total Public Works	18,500	18,500	17,431
SANITATION			
Transfer Station	13,650	13,620	11,375
CULTURE AND RECREATION			
Library			
Contracted Services	5,500	5,500	5,216
PLANNING			
Planning Board/Commission	4,620	4,620	4,548
Zoning Aministration	750	750	331
Total Panning and Zoning	5,370	5,370	4,879
OTHER FUNCTIONS			
Fringe Benefits	10,000	10,000	9,854
Employer Social Security and Medicare	900	1,500	1,410
Miscellaneous	3,200	3,200	1,208
Insurance Not Charged to Specific Activities	5,300	5,500	5,376
Total Other Functions	19,400	20,200	17,848
Total Expenditures	**203,922**	**205,392**	**177,986**
Net Change in Cash Basis Fund Balance	**(69,522)**	**(70,992)**	**(15,187)**
Cash Basis Fund Balance - April 1	**164,487**	**164,487**	**164,487**
Cash Basis Fund Balance - March 31	**$ 94,965**	**$ 93,495**	**$ 149,300**

FROST TOWNSHIP, CLARE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
CASH BASIS BUDGETARY COMPARISON SCHEDULE - ROAD FUND
YEAR ENDED MARCH 31, 2006

Schedule 2

	Original Budget	Final Amended Budget	Actual
REVENUE			
Road Millage	$ 90,000	$ 90,000	$ 67,581
Interest and Dividends	800	800	2,271
Total Revenue	90,800	90,800	69,852
EXPENDITURES	120,384	120,384	68,536
Net Change in Cash Basis Fund Balance	**(29,584)**	**(29,584)**	**1,316**
Cash Basis Fund Balance - April 1	**98,123**	**98,123**	**98,123**
Cash Basis Fund Balance - March 31	**$ 68,539**	**$ 68,539**	**$ 99,439**

OTHER SUPPLEMENTAL INFORMATION

FROST TOWNSHIP, CLARE COUNTY
OTHER SUPPLEMENTAL INFORMATION
GENERAL FIXED ASSETS
YEAR ENDED MARCH 31, 2006

Schedule 3

	Cost or Estimated Value at 04/1/2005	Additions	Deletions	Cost or Estimated Value at 03/31/2006
Buildings - Hall & Garage	$ 20,471	$ -	$ -	$ 20,471
Land	200	-	-	200
Supervisor Equipment	40	-	-	40
Treasurer Equipment	2,059	-	-	2,059
Clerk Equipment	2,121	-	-	2,121
Zoning Administrator Equipment	40	-	-	40
Hall Fence	1,722	-	-	1,722
Trash Compactor	10,000	-	-	10,000
Cemetary Fence	645	-	-	645
Police Equipment	2,092	-	-	2,092
Hall Equipment	6,250	-	-	6,250
Hall Improvements	13,160	-	-	13,160
Police Radio Equipment	4,971	-	-	4,971
Police Video Equipment	1,723	-	-	1,723
Total General Fixed Assets	$ 65,494	$ -	$ -	$ 65,494

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COMPANY P C

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

July 14, 2006

Township Board
Township of Frost
Clare County, Michigan

We have recently completed our audit of the financial statements of the Township of Frost for the year ended March 31, 2006. 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 Frost 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 to 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 representations 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 with 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."

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An independent auditor's objective of 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 a 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 irregularities. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

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

Auditing standards call for us to inform you regarding the initial selection of, and changes in, significant accounting policies or their application. In addition, we are expected to inform you about the methods used to account for significant unusual transactions and the effect of significant accounting polices in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

The significant accounting policies are described in Note 1 to the financial statements. Other information related to implementation of GASB 34 is discussed further in the other communications section.

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.

The following are the issues noted per the above referenced topics:

Discussed with the Township Supervisor and Clerk the extent to which the township desired to implement GASB 34. Determined at this time, that the Township would continue to maintain its records on a cash basis and that year-end financial reports would be prepared directly from those records using the minimum statement formats suggested by the State reporting requirements.

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COMMENTS AND RECOMMENDATIONS REGARDING INTERNAL CONTROLS/COMPLIANCE/ EFFICIENCY

In planning and performing our audit of the financial statements of Frost Township, for the year ended March 31, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that we believe to be material weaknesses.

Reportable Conditions (Material Weaknesses)

Appropriations in Budgetary Funds (Repeated comment)

P.A. 2 of 1968, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. We noted during our audit that the township incurred expenditures in excess of the amount appropriated as noted in Note # 2 in the Notes to the Financial Statements.

The budget should be amended during the year to reflect expenditures expected to be made in excess of the original budget amounts. Copies of the originally approved budget must be attached to the minutes and copies of each revised budget should be retained in order to properly trace the amendments.

Disbursement Approval (Repeated comment)

It was noted during expenditure testing that a list of disbursements; including check number, vendor name and amount, is provided to the board for approval. However, this list is not filed with the minutes nor is it retained in hard copy form. It is recommended that the list be retained and attached to the minutes each month as an additional control feature and so such authentication could be performed if so desired.

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COMMENTS AND RECOMMENDATIONS REGARDING INTERNAL CONTROLS/COMPLIANCE/ EFFICIENCY (CONTINUED)

Other Reportable Conditions

Investment Policy

It was noted that the investment policy of the Township does not meet the requirements of Public Act 20 of 1943, as amended. According to the act, the investment policy must state the purpose, scope, and objectives of the policy, delegate authority, list authorized investment instruments, and make a statement concerning safekeeping, custody, and prudence. It is recommended that an appropriate investment policy be adopted to govern the investment activities of the Township. A sample investment policy has been provided to the Township.

Property Tax Receipts and Disbursements

During testing of property taxes, additional time was required to reconcile receipts to disbursements. Property tax receipts and disbursements should be recorded in a manner allowing for documentation that clearly shows that receipts that have been collected have been properly disbursed.

It was also noted that the Township made only one transfer at year-end from the tax account to the general fund for the Township's share of Property Taxes. We recommend that amounts be disbursed in a timely manner upon receipt regardless of the entity to which they are being disbursed.

Financial Oversight

The general limitations in a smaller government require that the Township Board Members continue to remain involved in the financial affairs of the Township through oversight of operation, development of the annual budget, inquiries about variance between budgeted and actual amounts shown in the financial statements, and the independent review of critical functions. This comment is intended to emphasize the importance of this oversight and to remind the board of its continued obligation to perform accordingly.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied to 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 July 14, 2006.

SUMMARY

We would like to thank the Township personnel and Officials for the cooperation we received from them throughout the course of the audit. We welcome any questions you may have regarding the foregoing comments, and we would be happy to discuss any questions that you might have at your convenience.

This communication is intended for the information of the members of the Township Board, management, and the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties.

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