

# Auditing Procedures Report

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

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name <b>SANDSTONE CHARTER TOWNSHIP</b>	County <b>JACKSON</b>
Fiscal Year End <b>3/31/2007</b>	Opinion Date <b>8/20/2007</b>	Date Audit Report Submitted to State <b>9/26/2007</b>	

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	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) <b>DOVE &amp; HICKEY, P.L.C.</b>		Telephone Number <b>(517)796-8880</b>	
Street Address <b>209 E. WASHINGTON AVE., SUITE 255</b>		City <b>JACKSON</b>	State Zip <b>MI 49201</b>
Authorizing CPA Signature 		Printed Name <b>GEORGE DOVE</b>	License Number <b>1101011397</b>

SANDSTONE CHARTER TOWNSHIP

JACKSON COUNTY - MICHIGAN

FINANCIAL STATEMENTS

Year Ended March 31, 2007

## TABLE OF CONTENTS

	<u>PAGE</u>
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2 - 5
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	6
Statement of Activities	7
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	8
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Statement of Net Assets	9
Statement of Revenues, Expenditures, and Changes in Fund Balances	10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Notes to Financial Statements	12 - 20
REQUIRED SUPPLEMENTAL INFORMATION:	
Budgetary Comparison Schedule - General Fund	21
Budgetary Comparison Schedule - Fire Fund	22
Budgetary Comparison Schedule - Public Improvement Fund	23
OTHER SUPPLEMENTAL INFORMATION:	
Non-major Governmental Funds:	
Combining Balance Sheet	24
Combining Statement of Revenue, Expenditures, and Changes in Fund Balance	25

**Dove & Hickey, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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MEMBERS:

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

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CERTIFIED PUBLIC ACCOUNTANTS

GEORGE DOVE, C.P.A.  
PAUL T. HICKEY, C.P.A.  
NANNETTE M. SPONSLER, C.P.A.  
ALLISON I. COLE, C.P.A.

INDEPENDENT AUDITOR'S REPORT

Township Board  
Sandstone Charter Township  
Jackson County, Michigan

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

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

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

The management's discussion and analysis and the budgetary comparison schedule, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sandstone Charter Township's basic financial statements. The combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements have 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.

*Dove & Hickey, P.L.C.*

September 20, 2007

## MANAGEMENT'S DISCUSSION AND ANALYSIS

SANDSTONE CHARTER TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of Sandstone Charter Township's financial performance provides an overview of the Township's financial activities for the year ended March 31, 2007. Please read it in conjunction with the Township's financial statements which follow.

**Financial Highlights**

The following represents the most significant financial highlights for the year ended March 31, 2007:

- The Township received approximately \$41,700 of unscheduled revenue this year because of the Sec 425 agreement the Township has with the Village of Parma.
- The Township was able to transfer \$25,000 to the Public Improvement Fund to earmark these funds for future capital outlay purchases.

**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. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

## Sandstone Charter Township as a Whole

The following table shows a condensed format of the net assets as of March 31, 2007 and 2006.

	GOVERNMENTAL ACTIVITIES	
	2007	2006
<b>ASSETS</b>		
Current and Other Assets	\$ 694,223	\$ 649,070
Non-current - Capital Assets	<u>473,254</u>	<u>482,496</u>
<b>TOTAL ASSETS</b>	<u>1,167,477</u>	<u>1,131,566</u>
<b>LIABILITIES</b>		
Other liabilities	<u>15,709</u>	<u>18,946</u>
<b>TOTAL LIABILITIES</b>	<u>15,709</u>	<u>18,946</u>
<b>NET ASSETS</b>		
Invested in capital assets - Net of related debt	473,254	482,496
Restricted	9,000	9,000
Unrestricted	<u>669,514</u>	<u>621,124</u>
<b>TOTAL NET ASSETS</b>	<u>\$1,151,768</u>	<u>\$1,112,620</u>

The Township's combined net assets for governmental activities total \$1,151,768 for the fiscal year 2007. Net assets are further segregated between restricted and unrestricted net assets. The restricted net assets, assets that are restricted and invested in capital assets, total \$482,254. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, total \$669,514.

The following table shows the change in net assets for the year ended March 31, 2007 and 2006.

	GOVERNMENTAL ACTIVITIES	
	2007	2006
<b>REVENUE</b>		
Program revenue:		
Charges for services	\$ 42,431	\$ 50,853
Capital grants and contributions	13,584	23,830
General Revenue:		
Property taxes	283,732	290,726
State-shared revenues	222,119	214,962
Contributions from local units	41,693	52,284
Contributions	-0-	10,000
Interest	26,222	17,673
Cable franchise fees	<u>3,970</u>	<u>3,793</u>
<b>TOTAL REVENUE</b>	<u>633,751</u>	<u>664,121</u>
<b>EXPENSES</b>		
General government	223,198	220,200
Public Safety	281,439	165,017
Public Works	40,000	40,256
Community and economic development	48,862	27,368
Recreation and culture	<u>1,104</u>	<u>1,015</u>
<b>TOTAL EXPENSES</b>	<u>594,603</u>	<u>453,856</u>
<b>CHANGE IN NET ASSETS</b>	<u>\$ 39,148</u>	<u>\$ 210,265</u>

## **Governmental Activities**

Governmental activities are those activities (such as police and fire protection and road improvement) provided to the constituents of the Township and supported by financing from property taxes and state-shared revenues.

The cost of providing services for governmental activities was \$594,603 for the fiscal year 2007. Additionally, revenues for governmental activities totaled \$633,751, which netted to an increase in net assets for the fiscal year of \$39,148.

## **The Township's Funds**

The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balance of \$678,514, an increase of \$57,956 in comparison with the prior year. Approximately three quarters of this total amount (\$491,830) constitutes unreserved fund balance, which is available for spending at the government's discretion although special revenue and capital projects funds generally are limited to types of expenditures. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) for purchase of capital improvements (\$177,684), or 2) to generate income to pay for the perpetual care of the Township's cemeteries (\$9,000).

## **Budgetary Highlights**

Over the course of the year, the Township Board monitors the budget, and if necessary, amends the budget to take into account anticipated events that occur during the year. There were no budget amendments during the year.

The following provides specific details regarding the variances between the final General Fund budget and actual results:

- The actual revenue positive variance was \$34,952.
- The actual expenditures positive variance was \$71,764.
- The actual combined positive variance was \$106,716.

## **Capital Asset**

At the end of the fiscal year 2007, the Township had \$473,254 invested in capital assets (land, buildings, and equipment, net of accumulated depreciation). These assets are necessary to carry out the day-to-day operations of the Township.

## **Economic Factors and Next Year's Budgets and Rates**

The State economy will most likely continue to be depressed in 2008. Therefore it is anticipated that the State Revenue Sharing will continue to decrease. However, Sandstone Charter Township does not expect to cut any services currently provided. The current revenue sharing short fall can be covered with existing Township funds.

The fire millage of 1.25 Mills for 6 years is generating adequate funds to pay the Township's portion of the fire and rescue operational expenses plus build funds for future equipment needs.

The current Police Department Budget will continue to be paid from the General Fund. A new police car may be considered in 2008.

Mortgage fore-closers are increasing and are having a negative impact on the housing market resale values. This may eventually impact the taxable base in the Township even though the County pays the delinquent taxes to the Township.

One new company was built in the Parma LDFA, Light Industrial Park, however, no increase is expected in the captured LDFA funds.

## **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 revenue it receives. If you have any questions about this report or need additional information, we invite you to contact Sandstone Charter Township's supervisor.

SANDSTONE CHARTER TOWNSHIP  
GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2007

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Cash and cash equivalents	\$ 462,230
Receivables:	
Taxes	19,502
Other	1,096
Due from other governmental units	35,127
Prepaid expenditures	176,268
Capital assets - net	<u>473,254</u>
Total assets	<u>1,167,477</u>
<u>LIABILITIES:</u>	
Accounts payable	14,851
Accrued liabilities	<u>858</u>
Total liabilities	<u>15,709</u>
<u>NET ASSETS:</u>	
Invested in capital assets - net of related debt	473,254
Restricted:	
Perpetual care	9,000
Unrestricted	<u>669,514</u>
Total net assets	<u>\$1,151,768</u>

See accompanying notes to financial statements.

SANDSTONE CHARTER TOWNSHIP  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year Ended March 31, 2007

<u>Functions/Programs</u>	<u>Program Revenues</u>			
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>GOVERNMENTAL ACTIVITIES:</b>				
General government	\$ 223,198	\$ 8,981	\$ -0-	\$ 13,584
Public Safety	281,439	26,070	-0-	-0-
Public works	40,000	-0-	-0-	-0-
Community and economic development	48,862	7,380	-0-	-0-
Recreation and culture	<u>1,104</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total governmental activities	<u>\$ 594,603</u>	<u>\$ 42,431</u>	<u>\$ -0-</u>	<u>\$ 13,584</u>

GENERAL REVENUES:

Property taxes  
State-shared revenues  
Contributions from Local Unit  
Investment earnings  
Cable franchise fees  
Total general revenues

CHANGES IN NET ASSETS

NET ASSETS - BEGINNING  
OF YEAR - RESTATED

NET ASSETS - END OF YEAR

See accompanying notes to financial statements.

Net (Expense)  
Revenue  
and Changes  
in Net Assets

Governmental  
Activities

(\$200,633)  
(255,369)  
(40,000)  
(41,482)  
(1,104)

(538,588)

283,732  
222,119  
41,693  
26,222  
3,970  
577,736

39,148

1,112,620

\$1,151,768

SANDSTONE CHARTER TOWNSHIP  
BALANCE SHEET -  
GOVERNMENTAL FUNDS  
March 31, 2007

	General Fund	Fire Fund	Public Improvement Fund	Other Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS:</u>					
Cash and cash equivalents	\$ 267,081	\$ -0-	\$ 177,684	\$ 17,465	\$ 462,230
Receivables:					
Taxes	7,788	11,714	-0-	-0-	19,502
Other	1,096	-0-	-0-	-0-	1,096
Due from other governmental units	35,127	-0-	-0-	-0-	35,127
Prepaid expenditures	<u>-0-</u>	<u>176,268</u>	<u>-0-</u>	<u>-0-</u>	<u>176,268</u>
Total assets	<u>\$ 311,092</u>	<u>\$ 187,982</u>	<u>\$ 177,684</u>	<u>\$ 17,465</u>	<u>\$ 694,223</u>
<u>LIABILITIES AND FUND BALANCES:</u>					
Liabilities:					
Accounts payable	\$ 14,246	\$ -0-	\$ -0-	\$ 605	\$ 14,851
Accrued liabilities	<u>858</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>858</u>
Total liabilities	<u>15,104</u>	<u>-0-</u>	<u>-0-</u>	<u>605</u>	<u>15,709</u>
Fund balances:					
Reserved for:					
Public improvement	-0-	-0-	177,684	-0-	177,684
Perpetual care	-0-	-0-	-0-	9,000	9,000
Unreserved, reported in:					
Major Funds	295,988	187,982	-0-	-0-	483,970
Non-major Special Revenue funds	-0-	-0-	-0-	5,785	5,785
Non-major Permanent fund	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,075</u>	<u>2,075</u>
Total fund balances	<u>295,988</u>	<u>187,982</u>	<u>177,684</u>	<u>16,860</u>	<u>678,514</u>
Total liabilities and fund balances	<u>\$ 311,092</u>	<u>\$ 187,982</u>	<u>\$ 177,684</u>	<u>\$ 17,465</u>	<u>\$ 694,223</u>

See accompanying notes to financial statements.

SANDSTONE CHARTER TOWNSHIP  
RECONCILIATION OF FUND BALANCES ON THE  
BALANCE SHEET FOR GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS -  
GOVERNMENTAL FUNDS  
March 31, 2007

Fund balances - total Governmental funds	\$ 678,514
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 are not reported in the funds	<u>473,254</u>
Net assets of governmental activities	<u>\$1,151,768</u>

See accompanying notes to financial statements.

SANDSTONE CHARTER TOWNSHIP  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
Year Ended March 31, 2007

	General Fund	Fire Fund	Public Improvement Fund	Other Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Taxes and penalties	\$ 104,328	\$ 187,982	\$ -0-	\$ -0-	\$ 292,310
Licenses and permits	11,407	-0-	-0-	26,070	37,477
State sources	243,124	-0-	-0-	-0-	243,124
Contributions from local units	41,693	-0-	-0-	-0-	41,693
Interest	18,698	-0-	7,108	416	26,222
Other revenues	<u>2,491</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,491</u>
Total revenues	<u>421,741</u>	<u>187,982</u>	<u>7,108</u>	<u>26,486</u>	<u>643,317</u>
<b>EXPENDITURES:</b>					
Current:					
General government	209,278	-0-	-0-	-0-	209,278
Public safety	61,929	183,395	-0-	24,300	269,624
Public works	40,000	-0-	-0-	-0-	40,000
Community and economic development	48,862	-0-	-0-	-0-	48,862
Recreation and culture	1,104	-0-	-0-	-0-	1,104
Capital outlay	<u>16,493</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>16,493</u>
Total expenditures	<u>377,666</u>	<u>183,395</u>	<u>-0-</u>	<u>24,300</u>	<u>585,361</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>44,075</u>	<u>4,587</u>	<u>7,108</u>	<u>2,186</u>	<u>57,956</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating transfers in	-0-	-0-	25,000	-0-	25,000
Operating transfers (out)	<u>(25,000)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(25,000)</u>
Total other financing sources (uses)	<u>(25,000)</u>	<u>-0-</u>	<u>25,000</u>	<u>-0-</u>	<u>-0-</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	19,075	4,587	32,108	2,186	57,956
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>276,913</u>	<u>183,395</u>	<u>145,576</u>	<u>14,674</u>	<u>620,558</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 295,988</u>	<u>\$ 187,982</u>	<u>\$ 177,684</u>	<u>\$ 16,860</u>	<u>\$ 678,514</u>

See accompanying notes to financial statements.

SANDSTONE CHARTER TOWNSHIP  
RECONCILIATION OF STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
March 31, 2007

Net change in fund balance - total Governmental funds	\$ 57,956
Amounts reported for governmental activities in the statement of activities are different because:	
Revenue recognized in funds in current year, because was not currently available in prior year	(9,566)
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	16,493
Depreciation on capital assets reported as part of governmental activities	<u>(25,735)</u>
Changes in net assets of governmental activities	\$ <u>39,148</u>

See accompanying notes to financial statements.

SANDSTONE CHARTER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Sandstone Charter Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Sandstone Charter Township.

Reporting Entity

Sandstone Charter Township is governed by an elected seven-member Board. The accompanying financial statements present the Township's entities for which the Township is considered to be financially accountable. The Township has no component units.

Joint Ventures

Fire and Police Boards

The Township and Parma Township, and the Village of Parma have entered into an intergovernmental agreement to operate, fund and maintain the Parma-Sandstone Fire Department. The Board is composed of seven members, two each from the Township, Parma Township, and the Village of Parma, plus a member at large from the community. The agreement was substantially revised February 28, 2006, effective for the year ended March 31, 2007. Assets acquired prior to the revision remain jointly owned by the participating municipalities. The funding for the Fire Department's operations and capital outlay is allocated between the Township and Parma Township based upon the proportionate share of taxable values of the preceding years ad valorem and industrial facilities tax rolls. Upon termination, the Townships are not entitled to any share of assets acquired under the revised agreement.

The Township, Parma Township, and the Village of Parma support and govern the Parma-Sandstone Police Board. The Parma-Sandstone Police Board is administered and employees are paid by the Village of Parma. Thirty-five percent of police operating expenses, which are the Township's portion, are included in these financial statements.

Local Development Finance Authority

The Parma Village Local Development Finance Authority (LDFA) which was created pursuant to the provisions of Public Act 281 of 1986, is governed by an eleven (11) member board, which consists of five (5) representatives appointed by the Village of Parma, three (3) representatives appointed by Sandstone Charter Township, two (2) representatives of Western School District, and one (1) each appointed by the County of Jackson and Jackson Community College. All financial operations of the LDFA are included in the Village of Parma's financial statements.

SANDSTONE CHARTER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Local Development Finance Authority (Continued)

The Township conditionally transfers to the Village of Parma jurisdiction over the district area until December 31, 2021. The LDFA captures property taxes within the district over the initial assessed value of the same property (assessed value at the time of the LDFA's creation), multiplied by the millage rates (operating only) of all applicable units of government. The captured property taxes in excess of expenditures are disbursed proportionally to the tax units based on their millage rates, except for the Village of Parma and the Township. The excess attributable to the Village and the Township is divided 50 percent to the Village and 50 percent to the Township for the duration of the contract. The total excess received for the year ended March 31, 2007 by the Township was \$49,848, of which \$41,693 is reported in the financial statements as contributions from local units and the remaining \$8,155 as tax revenues.

Complete financial statements of the joint ventures can be obtained from the Village of Parma, P.O. Box 127, Parma, MI 49269.

Government-wide and Fund Financial Statements

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 primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

SANDSTONE CHARTER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, and interest associated with the current fiscal period. All other revenue items are considered to be available only when cash is received by the Township.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. General Fund activities are financed by revenue from general property taxes and state-shared revenue.

Fire Fund - The Fire Fund is used to account for all activities funded by the property taxes received under a specially voted millage.

Public Improvement Fund - The Public Improvement Fund is used to account for revenues and expenditures for public improvements.

Additionally, the Township reports the following fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of earmarked revenue requiring separate accounting because of legal or regulatory provisions.

Permanent Fund - The Permanent Fund accounts for resources that are legally restricted to the extent that only earnings, not principal, may be used for perpetual care of cemetery lots.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

SANDSTONE CHARTER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

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.

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time they are added to the county tax rolls.

The Township's 2006 tax is levied and collectible on December 1, 2006, and is recognized as revenue in the year ended March 31, 2007, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2006 taxable valuation of the Township totaled approximately \$130,304,000 on which ad valorem taxes levied consisted of .7994 mills for operating and 1.2141 for fire protection purposes. This resulted in \$104,165 for operating and \$158,202 for fire protection. These amounts are recognized in the General Fund and Fire Fund, respectively.

Assets, Liabilities, and Net Assets or Equity

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

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year is referred to as "advances to/from other funds." All property tax receivables are considered to be fully collectible.

Prepaid Expenditures - The Township entered into an intergovernmental agreement with the Township of Parma and the Village of Parma to fund the operations and maintenance of the Parma-Sandstone Fire Department. As part of this agreement the Township agreed to transfer all specially voted fire protection millage collected to the Village. The amount transferred to the Village is reported as prepaid expenditures, since this represents the majority of the Township's contribution to the Parma-Sandstone Fire Department operations and maintenance budgeted for the next fiscal year.

SANDSTONE CHARTER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Assets, Liabilities, and Net Assets or Equity (Continued)

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

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 to 50 years
Furnishings and equipment	3 to 7 years
Joint Fire Department assets	5 to 40 years

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

Use of Estimates

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

SANDSTONE CHARTER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and all Special Revenue Funds. All annual appropriations lapse at year end. The proposed budget is submitted to the Township Board 120 days prior to the beginning of the next year. Public hearings are held, and a final budget is adopted no later than March 31. The Township Board must approve any budget amendments.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control is the department level.

The government does not utilize encumbrance accounting.

Excess of Expenditures Over Appropriations

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended March 31, 2007, the government incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Fire Fund:			
Public Safety	\$ 116,243	\$ 183,395	(\$ 67,152)

3. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes the local governmental units to make deposits and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations which have offices in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classification, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

SANDSTONE CHARTER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

3. DEPOSITS AND INVESTMENTS (Continued)

The investment policy adopted by the board of trustees in accordance with Public Act 20 of 1943, as amended, has authorized investment in the investments in the preceding paragraph. The Township's deposit and investment policy is in accordance with statutory authority.

At year end, the Township's cash was reported in the basic financial statements under the heading of cash and cash equivalents in the amount of \$462,230.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$463,412 of deposits (checking accounts and CD's), of which \$109,000 was covered by federal depository insurance, and the remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

4. INTERFUND TRANSFERS

Interfund transfers reported in the fund financial statements for the year ended March 31, 2007, are as follows:

	<u>Transfers out</u> <u>General Fund</u>
Transfers in:	
Public Improvement Fund	\$ <u>25,000</u>

The interfund transfer from the General Fund to the Public Improvement Fund is to set aside non-tax revenues for future purchases of capital outlay assets.

SANDSTONE CHARTER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

5. CAPITAL ASSETS

Capital asset activity of the Township's governmental activities was as follows:

	<u>Balance</u> <u>April 1, 2006</u>	<u>Additions</u>	<u>Disposals and</u> <u>Adjustments</u>	<u>Balance</u> <u>March 31, 2007</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ <u>109,049</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>109,049</u>
Capital assets being depreciated:				
Buildings and improvements	310,620	-0-	-0-	310,620
Furniture and equipment	119,215	16,493	-0-	135,708
Joint Fire Department assets	<u>280,903</u>	<u>-0-</u>	<u>2,144</u>	<u>278,759</u>
Total capital assets being depreciated	<u>710,738</u>	<u>16,493</u>	<u>2,144</u>	<u>725,087</u>
Less: accumulated depreciation:				
Buildings and improvements	58,735	6,504	-0-	65,239
Furniture and equipment	98,155	7,616	-0-	105,771
Joint Fire Department assets	<u>180,401</u>	<u>11,615</u>	<u>2,144</u>	<u>189,872</u>
Total accumulated depreciation	<u>337,291</u>	<u>25,735</u>	<u>2,144</u>	<u>360,882</u>
Total capital assets being depreciated - net	<u>373,447</u>	<u>(9,242)</u>	<u>-0-</u>	<u>364,205</u>
Total capital assets - net	\$ <u>482,496</u>	(\$ <u>9,242</u> )	\$ <u>-0-</u>	\$ <u>473,254</u>

Depreciation expense was charged to programs as follows:

Governmental activities:	
General government	\$ 13,920
Public Safety	<u>11,815</u>
Total governmental activities	\$ <u>25,735</u>

SANDSTONE CHARTER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

6. RISK MANAGEMENT

Sandstone Charter Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation). The Township has purchased commercial insurance for employee injury, and participates in the Michigan Township Participating Plan risk pool for claims relating to property loss, torts and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The Michigan Township Participating Plan risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

7. RESTATEMENT

As a result of substantially revising the fire agreement between the Township, Parma Township and the Village of Parma, the Township made the following restatement to the net assets:

	<u>Governmental Activities</u>
Equity at March 31, 2006, as previously reported	\$1,007,118
Effect of recording Township's share of Fire assets	<u>105,502</u>
Net assets - April 1, 2006	<u>\$1,112,620</u>

REQUIRED SUPPLEMENTAL INFORMATION

SANDSTONE CHARTER TOWNSHIP  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
Year Ended March 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>REVENUES:</b>				
Taxes and penalties	\$ 97,500	\$ 97,500	\$ 104,328	\$ 6,828
Licenses and permits	10,605	10,605	11,407	802
State sources	185,100	198,684	243,124	44,440
Contributions from local units	70,000	70,000	41,693	(28,307)
Interest	10,000	10,000	18,698	8,698
Other revenues	<u>-0-</u>	<u>-0-</u>	<u>2,491</u>	<u>2,491</u>
Total revenues	<u>373,205</u>	<u>386,789</u>	<u>421,741</u>	<u>34,952</u>
<b>EXPENDITURES:</b>				
General government:				
Township Board	52,000	52,000	41,722	10,278
Supervisor	50,000	50,000	45,912	4,088
Elections	10,000	10,000	6,648	3,352
Clerk	65,000	65,000	59,097	5,903
Board of Review	3,000	3,000	2,017	983
Treasurer	40,000	40,000	37,879	2,121
Cemetery	3,200	3,200	3,200	-0-
Township Hall	30,500	30,500	12,803	17,697
Public Safety	65,746	65,746	61,929	3,817
Public Works	41,000	41,000	40,000	1,000
Community and economic development	62,000	62,000	48,862	13,138
Recreation and culture	1,400	1,400	1,104	296
Other	9,000	9,000	-0-	9,000
Capital outlay	<u>3,000</u>	<u>16,584</u>	<u>16,493</u>	<u>91</u>
Total expenditures	<u>435,846</u>	<u>449,430</u>	<u>377,666</u>	<u>71,764</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(62,641)</u>	<u>(62,641)</u>	<u>44,075</u>	<u>106,716</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers (out)	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>-0-</u>
Total other financing sources (uses)	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>-0-</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(87,641)	(87,641)	19,075	106,716
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>202,557</u>	<u>276,913</u>	<u>276,913</u>	<u>-0-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 114,916</u>	<u>\$ 189,272</u>	<u>\$ 295,988</u>	<u>\$ 106,716</u>

See accompanying notes to financial statements.

SANDSTONE CHARTER TOWNSHIP  
 REQUIRED SUPPLEMENTAL INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - FIRE FUND  
 Year Ended March 31, 2007

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With Final <u>Budget</u>
REVENUES:				
Property taxes	\$ <u>183,395</u>	\$ <u>183,395</u>	\$ <u>187,982</u>	\$ <u>4,587</u>
Total revenues	<u>183,395</u>	<u>183,395</u>	<u>187,982</u>	<u>4,587</u>
EXPENDITURES:				
Public Safety	<u>116,243</u>	<u>116,243</u>	<u>183,395</u>	<u>(67,152)</u>
Total expenditures	<u>116,243</u>	<u>116,243</u>	<u>183,395</u>	<u>(67,152)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	67,152	67,152	4,587	(62,565)
FUND BALANCE - BEGINNING OF YEAR	<u>-0-</u>	<u>183,395</u>	<u>183,395</u>	<u>-0-</u>
FUND BALANCE - END OF YEAR	\$ <u>67,152</u>	\$ <u>250,547</u>	\$ <u>187,982</u>	(\$ <u>62,565</u> )

See accompanying notes to financial statements.

SANDSTONE CHARTER TOWNSHIP  
 REQUIRED SUPPLEMENTAL INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - PUBLIC IMPROVEMENT FUND  
 Year Ended March 31, 2007

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With Final <u>Budget</u>
REVENUES:				
Interest	\$ <u>3,500</u>	\$ <u>3,500</u>	\$ <u>7,108</u>	\$ <u>3,608</u>
Total revenues	<u>3,500</u>	<u>3,500</u>	<u>7,108</u>	<u>3,608</u>
EXPENDITURES:				
Public Safety	<u>149,076</u>	<u>149,076</u>	<u>-0-</u>	<u>149,076</u>
Total expenditures	<u>149,076</u>	<u>149,076</u>	<u>-0-</u>	<u>149,076</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(145,576)</u>	<u>(145,576)</u>	<u>7,108</u>	<u>152,684</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-0-</u>
Total other financing sources (uses)	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-0-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(120,576)	(120,576)	32,108	152,684
FUND BALANCE - BEGINNING OF YEAR	<u>120,576</u>	<u>145,576</u>	<u>145,576</u>	<u>-0-</u>
FUND BALANCE - END OF YEAR	\$ <u>-0-</u>	\$ <u>25,000</u>	\$ <u>177,684</u>	\$ <u>152,684</u>

See accompanying notes to financial statements.

OTHER SUPPLEMENTAL INFORMATION

SANDSTONE CHARTER TOWNSHIP  
 OTHER SUPPLEMENTAL INFORMATION  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 March 31, 2007

	<u>Non-Major Special Revenue Funds</u>	<u>Permanent Fund</u>	<u>Total Non-Major Governmental Funds</u>
	<u>Building Department</u>	<u>Cemetery</u>	
<u>ASSETS:</u>			
Cash	\$ <u>6,390</u>	\$ <u>11,075</u>	\$ <u>17,465</u>
Total assets	\$ <u>6,390</u>	\$ <u>11,075</u>	\$ <u>17,465</u>
 <u>LIABILITIES AND FUND BALANCES:</u>			
Liabilities:			
Accounts payable	\$ <u>605</u>	\$ <u>-0-</u>	\$ <u>605</u>
Total liabilities	<u>605</u>	<u>-0-</u>	<u>605</u>
Fund balance:			
Reserved for:			
Perpetual care	-0-	9,000	9,000
Unreserved	<u>5,785</u>	<u>2,075</u>	<u>7,860</u>
Total fund balance	<u>5,785</u>	<u>11,075</u>	<u>16,860</u>
Total liabilities and fund balances	\$ <u>6,390</u>	\$ <u>11,075</u>	\$ <u>17,465</u>

See accompanying notes to financial statements.

SANDSTONE CHARTER TOWNSHIP  
OTHER SUPPLEMENTAL INFORMATION  
COMBINING STATEMENT OF REVENUE, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
Year Ended March 31, 2007

	Non-Major Special Revenue Funds <u>Building Department</u>	Permanent Fund <u>Cemetery</u>	Total Non-Major Governmental Funds <u>                    </u>
REVENUES:			
Licenses and permits	\$ 26,070	\$ -0-	\$ 26,070
Interest	<u>-0-</u>	<u>416</u>	<u>416</u>
Total revenues	<u>26,070</u>	<u>416</u>	<u>26,486</u>
EXPENDITURES:			
Public Safety	<u>24,300</u>	<u>-0-</u>	<u>24,300</u>
Total expenditures	<u>24,300</u>	<u>-0-</u>	<u>24,300</u>
EXCESS OF REVENUES OVER EXPENDITURES	1,770	416	2,186
FUND BALANCE - BEGINNING OF YEAR	<u>4,015</u>	<u>10,659</u>	<u>14,674</u>
FUND BALANCE - END OF YEAR	<u>\$ 5,785</u>	<u>\$ 11,075</u>	<u>\$ 16,860</u>

See accompanying notes to financial statements.

**Dove & Hickey, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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MEMBERS:

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

September 20, 2007

Township Board  
Sandstone Charter Township  
Jackson County, Michigan

Board Members:

In planning and performing our audit of the financial statements of the governmental activities and each major fund information of Sandstone Charter Township as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Sandstone Charter Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

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

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

Vendor Statements

We noted during the audit that several statements were paid without the appropriate documentation attached detailing the items charged. The receipts should detail the business purpose of the charge and then matched up to the statements, prior to board approval for payment.

Payroll

While performing our audit, we noted several payroll checks that did not have any documentation attached supporting the pay for meetings. We suggest documentation be retained to document which meetings are being paid for and to substantiate the amount of gross pay.

In addition, we noted other matters involving the internal control and its operation that we have reported to management of the Township, in a separate letter dated September 20, 2007.

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.

We appreciate the opportunity to serve you.

Respectfully yours,

*Dove + Hickey, P.C.*

# Dove & Hickey, P.L.C.

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## MEMBERS:

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CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

September 20, 2007

Township Board  
Sandstone Charter Township  
Jackson County, Michigan

## Board Members:

In planning and performing our audit of the financial statements of Sandstone Charter Township for the year ended March 31, 2007, we considered its internal controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not provide assurance on the internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated September 20, 2007, on the financial statements of Sandstone Charter Township.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with appropriate members of management, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

### Budgets

P.A. 621 of 1978, as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. The Township incurred expenditures in excess of the amount appropriated in one activity. The Township should amend its budget before this occurs.

### Reimbursements

During the audit, we noted that elected officials were being reimbursed for meals and various expenses. The documentation given to the Clerk did not list who was requesting the reimbursement or business purpose.

We also suggest that when elected officials are reimbursed for various expenses, they carefully document the business purpose of the expense, and in the case of meals, who was present.

Sandstone Charter Township  
September 20, 2007  
Page 2

Other Matters

We noted that the assessor is an independent contractor. We suggest that the Township issue a form 1099 for the amount paid to him, to be in compliance with the IRS statues.

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.

We appreciate the opportunity to serve you.

Respectfully yours,

*Dove + Hickey, P.C.*