SANDS TOWNSHIP

MARQUETTE COUNTY, MICHIGAN

FINANCIAL STATEMENTS

AND

ADDITIONAL INFORMATION

FOR THE YEAR ENDED MARCH 31, 2006

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	SANDS TOWNSHIP	MARQUETTE

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
MARCH 31, 2006	OCTOBER 25, 2006	DECEMBER, 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).
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		
COWELL & LAPOINTE, PC	906-228-5150		
Street Address	**City**	**State**	**Zip**
101 S. FRONT ST., STE. 309	MARQUETTE	MI	49855

Authorizing CPA Signature	Printed Name	License Number
Gloria J. LaPointe	GLORIA J. LAPOINTE	A261885

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TOWNSHIP OF SANDS, MICHIGAN
Management's Discussion and Analysis

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

FINANCIAL HIGHLIGHTS

- The Township's net assets are being reported under GASB 34 for the second year and comparative information with prior years will be presented in various schedules throughout the Management's Discussion and Analysis.
- Net Assets for the Township as a whole increased by $325,054 or 13.33% as a result of this year's operations.
- During the year, the Township had expenses for governmental activities that totaled $683,383 and revenues of $844,709.
- The General Fund reported a net fund balance of $871,013 as of March 31, 2006, an increase of $61,826 from the April 1, 2005 fund balance of $809,187.

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 statements by providing information about the Township's most significant funds.

TOWNSHIP AS A WHOLE

The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities. These reports help to provide detailed information as to whether the Township, as a whole, is better off or worse off as a result of the year's activities.

The Statement of Net Assets and the Statement of Activities only contain Governmental Activities, as the Township has no Business-Type Activities. The Governmental Activities include legislative, elections, public safety, public works, health and welfare, recreation and culture, community and economic development, general services, and administration. Property taxes, charges for services, and state sources fund most of these activities.

TOWNSHIP AS A WHOLE - Continued

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township's net assets and changes.

In a condensed format, the table below shows a comparison of the net assets (in thousands of dollars) as of the current date.

Sands Township Total Net Assets – Governmental Activities

(In 000's)

	Governmental Activities As of March 31, 2006	Governmental Activities As of March 31, 2005
Current Assets	$1,463	$1,373
Noncurrent Assets	1,338	1,109
Total Assets	$2,801	$2,482
Long-Term Debt Outstanding	$ 24	$ 29
Other liabilities	14	15
Total Liabilities	$ 38	$ 44
Net Assets		
Invested in Capital Assets - Net of Related Debt	$1,268	$1,109
Restricted	648	548
Unrestricted	847	781
Total Net Assets	$2,763	$ 2,438

Total Net Assets stood at $2,763,016 as of fiscal year end March 31, 2006, while Total Liabilities stood at $37,870.

TOWNSHIP AS A WHOLE - Continued

The following table shows the changes of the net assets (in thousands of dollars) as of March 31, 2006.

Sands Township – Change in Net Assets

(In 000's)	Governmental Activities As of March 31, 2006	Governmental Activities As of March 31, 2005
Program Revenues		
Charges for Services	$ 29	$ 29
Operating Grants and Contributions	80	92
Capital Grants and Contributions	180	3
General Revenues		
Taxes		
Property Taxes	306	286
Commercial Forest Act	7	4
Swamp Tax	8	7
Penalties Interest & Fees on Taxes	14	13
State Shared Revenues	171	174
Cemetery Lot Sales	1	1
Interest	25	16
Other	29	63
Total Revenues	$850	$688
Program Expenses		
Legislative	$ 12	$ 11
General Government	183	185
Public Safety	98	59
Public Works	125	154
Health and Welfare	44	31
Community and Economic Development	8	7
Culture and Recreation	55	45
Total Expenses	525	492
Change in Net Assets	$325	$196

TOWNSHIP AS A WHOLE - Continued

The Township's Net assets continue to remain healthy. Sands Township continues to be a quality bedroom community to its larger governmental neighbor, and we are one of the county's faster growing townships. With new residents moving into the Township, either through the sale of homes or new construction, it is anticipated revenue from governmental activities will increase in the future.

GOVERNMENTAL ACTIVITIES

The net assets for the Township's governmental activities increased by $325,054 of the year ended March 31, 2006. Total revenues from governmental activities were $849,455, while total expenses were $524,401.

TOWNSHIP FUNDS

As the Township of Sands, Michigan completed the fiscal year as of March 31, 2006, its Governmental Funds (as presented in the balance sheet) reported combined fund balances of $1,518,615, an increase of $161,326 or 10.62% from April 1, 2005. The General Fund, Ambulance Fund, Road Fund and the Cemetery Perpetual Care Fund reported excess revenues over expenditures totaling $179,262, while the Fire Fund and the Nonmajor Governmental Funds, reported a combined net loss of $17,936.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the year, the Township Board amended the General Fund budget to take into account events taking place during the fiscal year. Our main amendments came from shifts within departments to deal with unanticipated events such as repairs at our park property and fire department overages. The amendments resulted in no net increase. However, actual expenditures were $61,826 less than revenues of $439,426. Despite the budget amendment, variances to the General Fund budget still occurred. The Board will strive to minimize such occurrences in future budgets.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of March 31, 2006, the Township of Sands, Michigan had $1,268,126 invested in a variety of capital assets including land, buildings, machinery and equipment (including fire equipment and ambulance) and equity in the Marquette County Solid Waste Management Authority. In addition the Township continues to invest significant funds in roads within the Township. However, these assets are not reported as assets of Sands Township, but rather they are the property of the Marquette County Road Commission.

CAPITAL ASSET AND DEBT ADMINISTRATION - Continued

A breakdown of the Capital Assets (in thousands of dollars) is shown below.

Sands Township Capital Assets (Net of Depreciation)

(In 000's)	March 31, 2006	March 31, 2005
Capital Assets		
Land	$ 302	$ 302
Land Improvements	8	
Buildings	454	467
Equipment	33	37
Vehicles	471	303
Total	$1,268	$1,109

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Reductions in Michigan State Revenue Sharing are of considerable concern to Sands Township. With decreased funds the Township continues to watch its budget very closely.

In preparing the 2006-2007 Budget the Township Board reviewed year-to-date data for all funds, along with reviewing past budget data. Every attempt has been made to develop a realistic budget from both the revenue and expenditure perspective.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our citizens and taxpayers with a general overview of Sands Township's finances and to show the Township's accountability for the money it receives.

If you have any questions about this report or need additional information, we welcome you to contact the following:

Sands Township
987 S. M-553
Gwinn, MI 49841
(906) 249-9169

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MEMBER OF: THE AMERICAN INSTITUTE AND THE MICHIGAN ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Sands Township
Marquette County, Michigan

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sands Township, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's Board. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sands Township, as of March 31, 2006 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Township has implemented a new financial reporting model as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended and interpreted, as of March 31, 2006.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2006, on our consideration of Sands Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

INDEPENDENT AUDITOR'S REPORT - Continued

The management's discussion and analysis (identified in the table of contents) and budgetary comparison information on pages 29-33 are not a required part of the basic financial statements but are supplemental 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 supplemental 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 the Sands Township's basic financial statements. The accompanying required supplemental information and other supplemental information, as identified in the table of contents, are not a required part of the basic financial statements. The required supplemental information is information required by the Governmental Accounting Standards Board; the other supplemental information is presented for the purpose of additional analysis. The required supplemental information and the other supplemental information 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.

Cowell & LaPointe, PC
Certified Public Accountants
Marquette, Michigan

October 25, 2006

COWELL & LaPOINTE, PC
CERTIFIED PUBLIC ACCOUNTANTS
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Board of Trustees
Sands Township
Marquette County, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sands Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements and have issued our report thereon and have issued our report thereon dated October 25, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Sands Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 misstatements caused by error 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Sands Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to the management of Sands Township in a separate letter dated October 25, 2006.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL Continued

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

Cowell & LaPante, PC
Certified Public Accountants
Marquette, Michigan

October 25, 2006

SANDS TOWNSHIP

STATEMENT OF NET ASSETS
March 31, 2006

	Governmental Activities
Assets	
Cash	$ 1,463,401
Interest receivable	3,876
Taxes receivable	25,936
Accounts receivable	3,939
Fees receivable	6,611
Due from other governmental units	28,997
Capital assets - less accumulated depreciation of $ 466,040	1,268,126
Total assets	$ 2,800,886
Liabilities and Net Assets	
Liabilities	
Accounts payable	$ 14,145
Long-term liabilities-Bonds payable-Due within one year	5,245
-Due in more than one year	18,480
Total liabilities	37,870
Net Assets	
Investment in capital assets - net of related debt	1,268,126
Restricted:	
General government	40,512
Public safety	99,378
Public works	407,482
Health and welfare	97,159
Capital projects	1,408
Cemetery perpetual care-expendable	793
-nonexpendable	870
Unrestricted	847,288
Total net assets	2,763,016
Total liabilities and net assets	$ 2,800,886

See accompanying notes to financial statements.

SANDS TOWNSHIP

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2006

		Program Revenue			Governmental Activities
	Expenses	Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	Net (Expense) Revenue and Changes in Net Assets
Functions/Programs					
Governmental Activities:					
Legislative	$ 11,600	$	$	$	$ (11,600)
General government	182,558	3,777	10,000		(168,781)
Public safety	97,974				(97,974)
Public works	124,889	11,197	70,083		(43,609)
Health and welfare	44,116	14,129			(29,987)
Community/economic development	8,029				(8,029)
Culture and recreation	55,235			180,000	124,765
Total Governmental Activities	$524,401	$ 29,103	$ 80,083	$ 180,000	(235,215)

General Revenues:	
Taxes:	
Property taxes	305,840
Commercial forest act	6,850
Swamp tax	7,469
Penalty, interest and fees on taxes	13,851
State-shared revenues	170,493
Cemetery lot sales	1,225
Interest	25,428
Other	29,113
Total general revenues	560,269
Change In Net Assets	325,054
Net Assets - April 1, 2005	2,437,962
Net Assets - March 31, 2006	$ 2,763,018

See accompanying notes to financial statements.

SANDS TOWNSHIP

GOVERNMENTAL FUNDS
BALANCE SHEET
March 31, 2006

	General Fund	Ambulance Fund	Fire Fund	Road Fund	Cemetery Perpetual Care Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets							
Cash	$828,188	$ 97,071	$ 95,724	$398,510	$ 4,163	$ 39,745	$ 1,463,401
Interest receivable	3,685	15	176				3,876
Taxes receivable	10,239	2,240	4,485	8,972			25,936
Accounts receivable	2,922						2,922
Fees receivable	6,611						6,611
Interfund receivables	1,342					2,550	3,892
Due from other governmental units	28,997						28,997
Total assets	$881,984	$ 99,326	$100,385	$407,482	$ 4,163	$ 42,295	$ 1,535,635
Liabilities and Fund Balances							
Liabilities							
Accounts payable	$ 10,971	$ 2,167	$ 1,007	$	$	$	$ 14,145
Interfund payables					2,500	375	2,875
Total liabilities	10,971	2,167	1,007		2,500	375	17,020
Fund Balances							
Reserved - cemetery perpetual care					1,663		1,663
Unreserved-							
Designated for capital projects						1,408	1,408
Undesignated	871,013	97,159	99,378	407,482		40,512	1,515,544
Total fund balances	871,013	97,159	99,378	407,482	1,663	41,920	1,518,615
Total liabilities and fund balances	$881,984	$ 99,326	$100,385	$407,462	$ 4,163	$ 42,295	$ 1,535,635

See accompanying notes to financial statements.

SANDS TOWNSHIP

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO GOVERNMENTAL NET ASSETS
March 31, 2006

Total Governmental Fund Balances		$ 1,518,615
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.		
The cost of the capital assets is	$ 1,734,166	
Accumulated depreciation is	(466,040)	1,268,126
Long-term liabilities are not due and payable in the current period and are not reported in the funds		(23,725)
Net assets of governmental activities		$ 2,763,016

See accompanying notes to financial statements.

SANDS TOWNSHIP

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

	General Fund	Ambulance Fund	Fire Fund	Road Fund	Cemetery Perpetual Care Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues							
Taxes and penalties	$ 126,021	$ 22,717	$ 45,454	$ 90,925	$	$ 42,837	$ 327,954
Licenses and permits	3,084						3,084
Federal grants			180,000				180,000
State grants	180,670	558	1,195	2,389			184,812
Contributions from local units	65,338						65,338
Charges for services	26,019						26,019
Interest	18,074	1,302	1,442	4,322	71	219	25,430
Other	20,220	202	10,250		25	1,375	32,072
Total revenues	439,426	24,779	238,341	97,636	96	44,431	844,709
Expenditures							
Legislative	11,098						11,098
General government	134,653					1,487	136,140
Public safety	21,380		38,980				60,340
Public works	106,309						106,309
Health and welfare	21,938	5,075					27,013
Community/economic development	7,624						7,624
Recreation and culture	10,579					42,837	53,416
Other	58,264						58,264
Capital outlay	5,775		211,777			5,627	223,179
Total expenditures	377,600	5,075	250,757			49,951	683,383
Excess of Revenues Over (Under) Expenditures	61,826	19,704	(12,418)	97,636	96	(5,520)	161,326
Other Financing Sources (Uses)							
Operating transfer in					100		100
Operating transfer out						(100)	(100)
Total other financing sources (uses)					100	(100)	
Net Change in Fund Balances	61,826	19,704	(12,416)	97,636	196	(5,620)	161,326
Fund Balances - April 1, 2005	809,187	77,455	111,794	309,846	1,467	47,540	1,357,289
Fund Balances - March 31, 2006	$ 871,013	$ 97,159	$ 99,378	$ 407,482	$ 1,663	$ 41,920	$ 1,518,615

See accompanying notes to financial statements.

SANDS TOWNSHIP

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2006

Net Change in Fund Balances - Total Governmental Funds		$ 161,326
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation		
Depreciation expense	$ 64,197	
Capital outlay	(223,179)	(158,982)
Bond principal payment absorbed by Marquette County Solid Waste Management Authority included in the statement of activities		4,746
Change in Net Assets of Governmental Activities		$ 325,054

See accompanying notes to financial statements.

SANDS TOWNSHIP

FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
March 31, 2006

	Pension Trust Fund	Agency Funds
Assets		
Cash and cash equivalents	$	$ 1,185
Investments--at fair value	77,096	
Total assets	$ 77,096	$ 1,185
Liabilities and Net Assets		
Liabilities		
Due to other funds	$	$ 1,017
Due to other governmental units		168
Total liabilities		1,185
Net assets		
Held in trust for pension benefits	77,096	
Total liabilities and net assets	$ 77,096	$ 1,185

See accompanying notes to financial statements.

SANDS TOWNSHIP

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2006

	Pension Trust Fund
Additions	
Investment income - interest and dividends	$ 5,711
Contributions - employee	8,680
Total additions	14,391
Deductions	
Withdrawals	4,045
Administrative expenses	277
Total deductions	4,322
Change in net assets	10,069
Net assets - April 1, 2005	67,027
Net assets - March 31, 2006	$ 77,096

See accompanying notes to financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Sands 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 Negaunee Township:

Reporting Entity

Sands Township is governed by an elected five-member Board of Trustees and provides services for about 2,900 residents which includes fire and ambulance protection, garbage collection, and disposal facilities for other refuse. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application of the criteria, the Township does not contain any component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. 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.

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 revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government-Wide and Fund Financial Statements - Continued

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. 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

Government-Wide Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. 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.

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

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

Sands Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources except those accounted for in another fund.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

Fund Based Statements - Continued

The Fire Fund is used to account for revenues from state and federal grants, special tax levies, and charges for services that are expended for fire equipment, maintenance and improvements.

The Road Fund is used to account for revenues from state and federal grants and special tax levies restricted for maintenance and improvement to county roads within the Township.

The Ambulance Fund is used to account for revenues from state and federal grants and special tax levies that are expended for ambulance equipment.

The Cemetery Perpetual Care Fund is used to account for income earned on investments (expendable) and a portion of cemetery lot sales (nonexpendable) that are expended only for the perpetual care of cemetery lots.

Additionally, the Township reports the following fund types:

The Pension Trust Fund accounts for the activities of the Township's employee Section 457 deferred compensation plan for eligible employees.

The Trust and Agency Fund accounts for the collection and disbursement of delinquent taxes and deposits due to other units of government.

The Property Tax Collection Fund accounts for collection and disbursement of current property tax collections.

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 the standards of the Governmental Accounting Standards Board.

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assets, Liabilities, and Net Assets or Equity

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. Pooled investment income is generally allocated to each fund using a weighted average of balance for principal.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds."

The Township property tax is levied, due, and becomes a lien each December 1st on the basis of the taxable value of property located in the Township as of the preceding December 31st. If the Township's real property taxes are not collected by the Township Treasurer by March 1st of the year subsequent to levy, Marquette County will pay the Township the remaining balance owing on these taxes. The ultimate collection of personal property taxes is the responsibility of the Township.

The rate to finance general government services for the year ended March 31, 2006 was 2.1503 per $1,000 of taxable valuation of $48,102,281, on which an ad valorem tax was levied of $103,903 for operating purposes. An additional .9409 per $1,000 of taxable valuation was levied for fire equipment, maintenance and improvements, raising $45,453, .4703 per $1,000 of taxable valuation for ambulance equipment, raising $22,717 and 1.8820 per $1,000 taxable valuation was levied for roads, raising $90,924. These amounts are recognized in the respective General and Special Revenue Fund financial statements as taxes receivable or as tax revenue.

Under the provisions of Michigan Compiled Laws 397.213, Sands Township contracted with Peter White Public Library for five years to receive library services. The Township agreed to provide 1 mill for the library services of which .8907 mills was levied, raising $42,837.

Inventories and Prepaid Costs – The Township does not record items as inventories. Supplies are recorded as expenditures when they are purchased.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assets, Liabilities, and Net Assets or Equity

Capital Assets – Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than $2,500 and an estimated useful life in excess of 1 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. Costs of normal repair and maintenance that do not add to the value or materially extended asset life are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and other additions	40 years
Equipment	5 - 25 years
Vehicles	5 - 15 years

Long-Term Obligations - In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

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.

Comparative Data/Reclassifications – Comparative data is not included in the Township's financial statements.

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.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds, after a public hearing. An amendment is made as soon as it becomes apparent there will be deviations from the original budget. All annual budgets lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township to have its budget in place by April 1st. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits townships to amend their budgets during the year. The budgets are presented in the other supplemental information.

During the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

Budget Item	Budget Appropriation	Actual Expenditure	Difference
General Fund			
- Board of review	$ 1,000	$ 1,569	$ 569
- Fire department	13,000	19,194	6,194
- Sanitation	90,000	93,488	3,488
- Ambulance	19,000	21,938	2,938
- Zoning	7,000	7,624	624
- Recreation-capital outlay		5,775	5,775
- Township share FICA	12,000	12,662	662
Fire Fund-capital outlay		211,777	211,777

NOTE C – DEPOSITS AND INVESTMENTS

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

NOTE C – DEPOSITS AND INVESTMENTS - Continued

The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in certificates of deposit, interest bearing checking accounts, money market accounts, treasury bills and treasury notes, mutual funds limited to securities whose intention is to maintain a net asset value of $1.00 per share, investment pools and state and municipal bonds. The Township's investments are in accordance with statutory authority.

Michigan law (Section 3, Act 40, PA 1932, as amended) prohibits security in the form of collateral, surety bond, or another form for the deposit of public money. The Township considers highly liquid investments with an original maturity of three months or less when acquired to be cash equivalents.

All investments are put in federally insured bank accounts subject to the FDIC and NCUA insurance limit of $100,000 per account. The cash from all funds was maintained in a common, interest bearing checking account except for the cemetery, tax collection, and capital projects funds which had their own checking accounts. The interest in the common bank account was allocated to the Fire, Ambulance, and General Funds based upon the average month end balances throughout the year.

At year-end, the Township's deposits were reported in the basic financial statements as cash and cash equivalents as follows:

Governmental activities	$1,463,401
Fiduciary funds	1,185
Total	$1,464,586

All of the funds are invested in checking, savings, and certificate of deposit accounts. The deposits of Sands Township were reflected in the accounts of bank and credit union deposits at $1,464,386, of which $662,897 is covered by federal depository insurance and $160,783 is covered by the National Credit Union Administration.

The Township's investments are $77,096 in the fiduciary pension trust fund. They are considered a category 2 credit risk which means they are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name.

NOTE D – CAPITAL ASSETS

Capital asset activity of Sands Township for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 302,238	$.	$.	$302,238
Capital Assets Being Depreciated				
Land improvements		8,602		8,602
Buildings	615,065	2,800		617,865
Equipment	44,689			44,689
Vehicles	548,995	211,777	.	760,772
Subtotal	1,208,749	223,179	.	1,431,928
Less Accumulated Depreciation for				
Land improvements		192		192
Buildings	147,701	16,191		163,892
Equipment	7,789	4,011		11,800
Vehicles	246,353	43,803	.	290,156
Subtotal	401,843	64,197	.	466,040
Net Capital Assets Being Depreciated	806,906	158,982	.	965,888
Governmental Activities Capital Total Capital Assets–net of Depreciation	$1,109,144	$158,982	$.	$1,268,126

NOTE E – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due To/From Other Funds		
General	Cemetery Fund	$ 325
	Tax	1,017
Cemetery	Cemetery Trust	2,500
	General	50
Total		$3,892

Transfer In	Transfer Out	Amount
Interfund Transfers		
Cemetery Perpetual Care	Cemetery	$ 100

NOTE F – LONG-TERM DEBT

Bond and contractual obligation activity can be summarized as follows:

	Balance April 1, 2005	Issued	Retired	Balance March 31, 2006	Due Within One Year
Governmental Activities					
General Obligation Bonds:					
Marquette County Solid Waste Management Authority Bonds					
Amount of issue - $61,315					
Maturity through 2009	$ 28,471	$	$4,746	$ 23,725	$ 5,245
Total governmental activities	$ 28,471	$	$4,746	$ 23,725	$ 5,245

The Marquette County Solid Waste Management Authority Board agreed to absorb the May, 2005 installment of $6,609 of the 1989 bond issue. In 2006 they also agreed to absorb the May, 2006 installment amount of $6,706.

Annual debt service requirements to maturity for the above obligations are as follows:

	Governmental Activities		
Year End March 31	Principal	Interest	Total
2006	5,245	1,461	6,706
2007	5,619	1,049	6,668
2008	6,119	618	6,737
2009	6,742	169	6,911
Total	$ 23,725	$ 3,297	$27,022

NOTE G – RISK MANAGEMENT

Sands Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries, i.e. workers compensation. Commercial insurance has been purchased to cover workers compensation, property and general liability claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE H – SUBSEQUENT EVENTS

On March 14, 2006, Sands Township voted to enter into construction agreements for County Road NNN at an estimated cost of $74,327, and County Road NF at an estimated cost of $100,625 to the Township. Road repairs at Oakridge Ridge and Stone Gate Roads and patching at AMZ Road at an estimated cost of $3,843 were also approved. The construction of these roads is expected to be completed during 2006.

The Township is the recipient of a Department of Natural Resources grant for $95,500 with a requirement for an equal match. The grant will be used to build a recreation area consisting of tennis and basketball courts and a playground. They also received a grant for several voting machines for approximately $9,500. The purchase of a truck for $19,000 and a skid unit for $9,750 was also approved. These items will be reflected during the year ending March 31, 2007.

NOTE I – DEFERRED COMPENSATION PLAN

The Township has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by an independent plan administrator. Employees defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death or financial hardship. The plan is accounted for as a fiduciary fund – pension trust. The plan's assets are presented at fair market value and captioned as investments.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Township, subject only to the claims of the Township's general creditors. Participants' rights under the plan are equal to those of general creditors of the Township in an amount equal to the fair market value of the deferred amount for each participant. The Township believes it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE J – ACT 425 AGREEMENTS

On December 18, 2002 Sands Township made a conditional transfer of approximately 2,400 acres of property to Forsyth Township to enable Forsyth Township to pursue an economic development project (Sawyer International Airport) as provided by Public Act 425 of 1984. Upon expiration of this agreement after the two-year period, the property was permanently transferred.

NOTE J – ACT 425 AGREEMENTS

On June 16, 2005, Sands Township entered into an agreement with Marquette Township for a conditional transfer of certain property within Sands Township and contiguous to Marquette Township. Marquette will provide all Township services now available, or as may be adjusted from time to time, to residents and property owners within the Township. The property will be subject to Marquette taxation and will be for a term of 25 years with an option for renewal for another 25 years by mutual written agreement. During the period of the conditional transfer, Marquette shall annually return to Sands Township one-half (1/2) of the tax revenues derived from the transferred territory which sum, however, shall at no time be greater than three (3) mills applied to the taxable value of said territory.

SANDS TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED MARCH 31, 2006

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Revenues				
Taxes and penalties				
Taxes	$ 96,640	$ 96,640	$ 112,170	$ 15,530
Penalties, interest and fees	4,000	4,000	13,851	9,851
Total taxes and penalties	100,640	100,640	126,021	25,381
State grants				
State shared revenue	168,845	168,845	170,493	1,648
Commercial forest reserve	1,000	1,000	2,708	1,708
Swamp tax			7,469	7,469
Total state grants	169,845	169,845	180,670	10,825
Contributions from local units	52,000	52,000	65,338	13,338
Interest	5,000	5,000	18,074	13,074
Charges for services				
Trailer fees	150	150	243	93
Other fees	20,000	20,000	25,776	5,776
Total charges for services	20,150	20,150	26,019	5,869
Licenses and permits	3,000	3,000	3,084	84
Other				
Timber cutting	21,697	21,697		(21,697)
Miscellaneous	5,000	5,000	20,220	15,220
Total other	26,697	26,697	20,220	(6,477)
Total revenues	377,332	377,332	439,426	62,094

SANDS TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE - Continued
FOR THE YEAR ENDED MARCH 31, 2006

	Original Budget	Amended Budget	Actual	Variance With Budget
Expenditures				
LEGISLATIVE - Township board	$ 16,000	$ 12,000	$ 11,098	$ (902)
GENERAL GOVERNMENT				
Supervisor	20,000	17,500	18,597	1,097
Clerk	22,000	20,500	19,416	(1,084)
Audit and accounting	6,500	6,500	4,752	(1,748)
Board of review	1,000	1,000	1,569	569
Treasurer	24,000	22,500	21,346	(1,154)
Assessor/equalization	18,000	22,000	21,272	(728)
Elections	2,000	3,000	2,397	(603)
Buildings and grounds	25,000	24,000	26,092	2,092
Legal	6,000	20,000	16,868	(3,132)
Cemetery	4,000	4,000	2,344	(1,656)
TOTAL GENERAL GOVERNMENT	128,500	141,000	134,653	(6,347)
PUBLIC SAFETY				
Fire department #1	13,000	13,000	19,194	6,194
Fire department #2	5,000	4,000	2,166	(1,834)
Animal control	1,000			
TOTAL PUBLIC SAFETY	19,000	17,000	21,360	4,360
PUBLIC WORKS				
Highways, streets and lighting				
Endloader operations	2,500	2,500	171	(2,329)
Lights	4,000	4,000	3,969	(31)
Total highways, streets and lighting	6,500	6,500	4,140	(2,360)
Sanitation	90,000	90,000	93,488	3,488
Transfer station	8,000	8,000	7,279	(721)
Well testing/aquifer	4,500	4,500	1,402	(3,098)
TOTAL PUBLIC WORKS	109,000	109,000	106,309	(2,691)

SANDS TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE - Continued
FOR THE YEAR ENDED MARCH 31, 2006

	Original Budget	Amended Budget	Actual	Variance With Budget
HEALTH AND WELFARE				
Ambulance	$ 15,000	$ 19,000	$ 21,938	$ 2,938
COMMUNITY/ECONOMIC DEVELOPMENT				
Zoning	7,000	7,000	7,624	624
RECREATION AND CULTURE				
Parks and recreation	27,697	17,697	10,340	(7,357)
Recreation-capital outlay			5,775	5,775
Library committee meeting	500	500	239	(261)
TOTAL RECREATION AND CULTURE	28,197	18,197	16,354	(1,843)
OTHER				
Insurance	30,000	35,000	34,766	(234)
Township share FICA	12,000	12,000	12,662	662
Debt service	3,000	2,000		(2,000)
Bond indebtedness/interest	2,000	500		(500)
Needed for contingencies	7,635	4,635	10,836	6,201
TOTAL OTHER	54,635	54,135	58,264	4,129
Total expenditures	377,332	377,332	377,600	268
Net Change in Fund Balance			61,826	61,826
Fund Balance - April 1, 2005	809,187	809,187	809,187	
Fund Balance - March 31, 2006	$ 809,187	$ 809,187	$ 871,013	$ 61,826

SANDS TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION
SPECIAL REVENUE FUNDS-AMBULANCE AND CEMETERY PERPETUAL CARE
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006

	Ambulance Fund			Cemetery Perpetual Care Fund
	Original and Amended Budget	Actual	Over (Under) Budget	Actual
Revenues				
Taxes-current tax collections	$ 42,760	$ 22,717	$ (20,043)	$
State grants-CFR		558	558	
Interest		1,302	1,302	71
Other		202	202	25
Total revenues	42,760	24,779	(17,981)	96
Expenditures				
Health and welfare	42,760	5,075	(37,685)	
Excess of Revenues Over (Under) Expenditures		19,704	19,704	96
Other Financing Sources (Uses)				
Operating transfer in				100
Net Change in Fund Balances		19,704	19,704	196
Fund Balances - April 1, 2005	77,455	77,455		1,467
Fund Balances - March 31, 2006	$ 77,455	$ 97,159	$ 19,704	$ 1,663

SANDS TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION
SPECIAL REVENUE FUNDS-FIRE AND ROAD
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2006

	Fire Fund			Road Fund		
	Original and Amended Budget	Actual	Over (Under) Budget	Original and Amended Budget	Actual	Over (Under) Budget
Revenues						
Taxes-current tax collections	$ 42,488	$ 45,454	$ 2,966	$ 84,981	$ 90,925	$ 5,944
Federal grants		180,000				
State grants-CFR		1,195			2,389	2,389
Interest		1,442	1,442		4,322	4,322
Other		10,250	10,250			
Total revenues	42,488	238,341	(195,853)	84,981	97,636	12,655
Expenditures						
Fire department	42,488	38,980	(3,508)			
Roads				84,981		(84,981)
Capital outlay		211,777	211,777			
Total expenditures	42,488	250,757	208,269	84,981		(84,981)
Net Change in Fund Balances		(12,416)	(12,416)		97,636	97,636
Fund Balances - April 1, 2005	111,794	111,794		309,846	309,846	
Fund Balances - March 31, 2006	$111,794	$ 99,378	$ (12,416)	$ 309,846	$407,482	$ 97,636

OTHER SUPPLEMENTAL INFORMATION

SANDS TOWNSHIP

OTHER SUPPLEMENTAL INFORMATION
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
March 31, 2006

	Special Revenue Funds			
	Cemetery Fund	Library Fund	Capital Projects Fund	Total Nonmajor Funds
Assets				
Cash	$38,337	$	$ 1,408	$ 39,745
Interfund receivables	2,550			2,550
Total assets	$40,887	$	$ 1,408	$ 42,295
Liabilities and Fund Balances				
Liabilities				
Interfund payables	$ 375	$	$	$ 375
Total liabilities	375			375
Fund Balances				
Unreserved:				
Designated for capital projects			1,408	1,408
Undesignated	40,512			40,512
Total fund balances	40,512		1,408	41,920
Total liabilities and fund balances	$40,887	$	$ 1,408	$ 42,295

SANDS TOWNSHIP

OTHER SUPPLEMENTAL INFORMATION
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2006

	Special Revenue Funds			
	Cemetery Fund	Library Fund	Capital Projects Fund	Total Nonmajor Funds
Revenues				
Current tax collections	$	$ 42,837	$	$ 42,837
Interest	208		11	219
Other	1,375			1,375
Total revenues	1,583	42,837	11	44,431
Expenditures				
General government	1,487			1,487
Recreation and culture		42,837		42,837
Capital outlay	5,627			5,627
Total expenditures	7,114	42,837		49,951
Excess of Revenues Over (Under) Expenditures	(5,531)		11	(5,520)
Other Financing Sources (Uses)				
Operating transfer out	(100)			(100)
Net Change in Fund Balances	(5,631)		11	(5,620)
Fund Balances - April 1, 2005	46,143		1,397	47,540
Fund Balances - March 31, 2006	$ 40,512	$	$ 1,408	$ 41,920

SANDS TOWNSHIP

OTHER SUPPLEMENTAL INFORMATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2006

	Pension Trust Fund	Agency Funds		
		Tax Collection	Trust and Agency	Total
Assets				
Cash and investments	$ 77,096	$ 1,017	$ 168	$ 1,185
Liabilities and Net Assets				
Liabilities				
Due to other funds	$	$ 1,017	$	$ 1,017
Due to other governmental units			168	168
Total liabilities		$ 1,017	$ 168	$ 1,185
Net Assets - Held in trust for pension benefits	77,096			
Total liabilities and net assets	$ 77,096			

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Board of Trustees
Sands Township
Marquette County, Michigan

MANAGEMENT LETTER ON ANNUAL REPORT

In connection with the examination of the financial statements of Sands Township for the year ended March 31, 2006, we submit the following comments and recommendations:

BUDGETS

The Uniform Budget and Accounting Act, PA2 of 1968, as amended, (MCL 141.421, et seq.), provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. During the year, Sands Township incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

General Fund	
Board of review	$ 569
Fire department	6,194
Sanitation	3,488
Ambulance	2,938
Zoning	624
Recreation-capital outlay	5,775
Township share FICA	662
Special Revenue Funds	
Fire - capital outlay	211,777

Several line items in the final budget (bond indebtedness/interest and needed for contingencies) did not agree to the original budget plus amendments. When amended budgets are presented for approval we suggest they be reconciled to the original budget and previous amendments.

FUND ACCOUNTING AND FUND CLASSIFICATIONS

Fund accounting is required for all governmental units and consists of several units within your governmental entity. Transactions should occur within funds and do not cross funds unless there are transfers or borrowings between funds.

There were numerous transactions in your Quickbooks data that crossed funds, i.e. the transaction did not balance within the fund (this does not include the end of month adjustment you are making to balance the pooled checking account). We have incorporated adjusting entries to get your data to balance between funds at March 31, 2006. These entries will also enable you to prepare a balance sheet by fund which will let you know if your funds balance and your transactions have been recorded properly. Your future transactions should have a class on every entry to have this feature work properly.

We also suggest you obtain an understanding of the various funds the Township has, the transactions that occur within each fund and the types of accounts that are in each fund. This would help to determine where to record transactions and help prevent errors from occurring. Please refer to the Michigan Department of Treasury's Uniform Chart of Accounts for Counties and Local Units of Governments for additional help with these issues.

We suggest you follow these guidelines to help control the costs of your audit. If there are an excessive amount of audit adjustments that need to be made for incorrect entries there will be an additional cost in addition to the audit fee.

CASH BALANCES

The cash balances between the Clerk and Treasurer were not reconciled until late October, 2006 which caused the audit to be completed past the due date. We suggest you reconcile these balances on a monthly basis so the audit can be completed on time.

We want to thank Township personnel for their help during the audit. If we can be of assistance in the implementation of these recommendations or any other services as they may arise, please contact us.

Cowell & LaPointe, PC
Certified Public Accountants

October 25, 2006