

SANDS TOWNSHIP

MARQUETTE COUNTY, MICHIGAN

FINANCIAL STATEMENTS

AND

ADDITIONAL INFORMATION

FOR THE YEAR ENDED MARCH 31, 2014

COWELL AND LAPOINTE, PC
CERTIFIED PUBLIC ACCOUNTANTS
MARQUETTE, MICHIGAN

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Sands Township
Marquette County, Michigan

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENT AUDITOR'S REPORT - Continued

Opinions

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, 2014 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sands Township basic financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT - Continued

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2014, 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* in considering Sands Township's internal control over financial reporting and compliance.

Cowell & LaPointe, PC
Certified Public Accountants
Marquette, Michigan

June 23, 2014

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, 2014. Please read it in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- The Township's net position is being reported under GASB 34 for the tenth year and comparative information with prior years will be presented in various schedules throughout the Management's Discussion and Analysis.
- Net Position for the Township as a whole increased by \$296,222 or 8% as a result of this year's operations.
- During the year, the Township had expenses for governmental activities that totaled \$559,726 and revenues of \$855,948.
- The General Fund reported a net fund balance of \$1,159,782 as of March 31, 2014, an increase of \$148,025 from the April 1, 2013 fund balance of \$1,011,757. This change in fund balance was a result of the Township's improvements to services, for the community, along with continued sound fiscal stewardship and continued support from the community for voted millage. Further detail will be provided in the General Fund Budgetary highlights.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position 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 Position 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 Position 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.

SANDS TOWNSHIP
Management's Discussion and Analysis – Continued

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 position and changes.

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

Sands Township Total Net Position – Governmental Activities

(In 000's)

	Governmental Activities <u>As of March 31, 2013</u>	Governmental Activities <u>As of March 31, 2014</u>
Current Assets	\$2,329	\$2,717
Noncurrent Assets	<u>1,594</u>	<u>1,504</u>
Total Assets	<u>\$3,923</u>	<u>\$4,221</u>
Total Liabilities-other liabilities	<u>\$ 13</u>	<u>\$ 15</u>
Net Position		
Invested in Capital Assets		
- Net of Related Debt	\$1,594	\$1,504
Restricted	1,304	1,542
Unrestricted	<u>1,012</u>	<u>1,160</u>
Total Net Position	<u>\$3,910</u>	<u>\$4,206</u>

Total Net Position stood at \$4,205,857 as of fiscal year end March 31, 2014, while Total Liabilities stood at \$15,588.

SANDS TOWNSHIP
Management's Discussion and Analysis – Continued

TOWNSHIP AS A WHOLE - Continued

The following table shows the changes of the net position (in thousands of dollars) as of March 31, 2014.

Sands Township – Change in Net Position

(In 000's)

	Governmental Activities <u>As of March 31, 2013</u>	Governmental Activities <u>As of March 31, 2014</u>
Program Revenues		
Charges for Services	\$ 21	\$ 28
Operating Grants and Contributions	81	55
General Revenues		
Taxes		
Property Taxes	512	526
Commercial Forest Act	5	9
Swamp Tax	9	8
Penalties Interest & Fees on Taxes	21	20
State Shared Revenues	166	169
Licenses and permits	2	3
Metro Authority Act	5	5
Interest and rentals	23	20
Gain on old school land	11	
Other	<u>9</u>	<u>13</u>
Total Revenues	<u>\$865</u>	<u>\$856</u>
Program Expenses		
Legislative	\$ 16	\$ 14
General Government	185	163
Public Safety	103	96
Public Works	517	144
Health and Welfare	41	37
Community and Economic Development	12	12
Culture and Recreation	<u>93</u>	<u>94</u>
Total Expenses	<u>967</u>	<u>560</u>
Change in Net Position	<u><\$102></u>	<u>\$296</u>

SANDS TOWNSHIP

Management's Discussion and Analysis – Continued

TOWNSHIP AS A WHOLE - Continued

The Township's Net Position continues 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. According to the 2010 census, the Township had an approximate 7% increase in population. Therefore, through the sale of homes or new construction it is anticipated that revenue from governmental activities will increase in the future. Public works services to the community, and recreation improvements are a large part of the Township's expenses, which were balanced with monitoring of spending and reducing some expenses.

GOVERNMENTAL ACTIVITIES

The net position for the Township's governmental activities increased by \$296,222 for the year ended March 31, 2014. Total revenues from governmental activities were \$855,948 while total expenses were \$559,726.

TOWNSHIP FUNDS

As the Township of Sands, Michigan completed the fiscal year as of March 31, 2014, its Governmental Funds (as presented in the balance sheet) reported combined fund balances of \$2,701,472, an increase of \$385,587, or 16.65% from April 1, 2013. The General Fund, Road Fund, Fire Fund, Ambulance Fund, Sanitation Fund, Cemetery Perpetual Care Fund, and Nonmajor Governmental Funds reported combined excess revenues over expenditures totaling \$385,587.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Township Board amended the General Fund budget once during the fiscal year to cover the increased cost for assessing services. The Township Board anticipated the excess of expenditures in the Road Fund, prior to the beginning of the fiscal year. The Township's cumulative fund balance is now \$2,701,472. The Board will strive to set budgets that will accurately predict revenues and expected expenditures, therefore hoping to minimize future budget amendments.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of March 31, 2014, the Township of Sands, Michigan had \$1,504,385 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. 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.

SANDS TOWNSHIP
Management’s Discussion and Analysis – Continued

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

Sands Township Capital Assets (Net of Depreciation)

(In 000’s)	<u>March 31, 2013</u>	<u>March 31, 2014</u>
Capital Assets		
Joint venture investment (MCSWMA)	\$ 58	\$ 58
Land	311	311
Land Improvements	181	170
Buildings	689	662
Equipment	73	68
Vehicles	<u>282</u>	<u>235</u>
Total	<u>\$1,594</u>	<u>\$1,504</u>

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

Michigan State Revenue Sharing is still a concern for Sands Township. The Township will continue to watch its budget very closely.

In preparing the 2013-2014 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

SANDS TOWNSHIP

STATEMENT OF NET POSITION

March 31, 2014

	<u>Governmental Activities</u>
Assets	
Cash	\$ 2,654,307
Interest receivable	277
Taxes receivable	29,545
Accounts receivable	1,022
Fees receivable (net)	2,285
Due from other governmental units	29,624
Capital assets - less accumulated depreciation of \$ 1,097,528	<u>1,504,385</u>
 Total assets	 <u><u>\$ 4,221,445</u></u>
 Liabilities and Net Assets	
 Liabilities	
Accounts payable	<u>\$ 15,588</u>
 Total liabilities	 <u>15,588</u>
 Net Position	
Investment in capital assets - net of related debt	1,504,385
Restricted:	
Public safety	294,908
Public works	806,686
Health and welfare	311,573
Parks and recreation	126,006
Cemetery perpetual care-expendable	957
-nonexpendable	1,560
Unrestricted	<u>1,159,782</u>
 Total net position	 <u>4,205,857</u>
 Total liabilities and net position	 <u><u>\$ 4,221,445</u></u>

See accompanying notes to financial statements.

SANDS TOWNSHIP

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2014**

	Expenses	Program Revenue		Governmental Activities Net (Expense) Revenue and Changes in Net Assets
Functions/Programs		Charges for Services	Operating Grants/ Contributions	
Governmental Activities:				
Legislative	\$ 14,390	\$	\$	\$ (14,390)
General government	162,631	2,034		(160,597)
Public safety	95,910	2,615		(93,295)
Public works	143,917	16,222	55,329	(72,366)
Health and welfare	36,574	7,499		(29,075)
Community/economic development	12,259			(12,259)
Culture and recreation	94,045			(94,045)
Total Governmental Activities	\$ 559,726	\$ 28,370	\$ 55,329	(476,027)
General Revenues:				
Taxes:				
Property taxes				525,580
PILT/CFR/Forest Land				8,583
Swamp tax				7,475
Penalty, interest and fees on taxes				20,454
State shared revenues				168,965
Metro authority act				5,458
Licenses and permits				2,675
Interest and rentals				20,060
Other				12,999
				772,249
				Change in Net Position
				296,222
				Net Position - April 1, 2013
				3,909,635
				Net Position - March 31, 2014
				\$ 4,205,857

See accompanying notes to financial statements.

SANDS TOWNSHIP

GOVERNMENTAL FUNDS

BALANCE SHEET

March 31, 2014

	General Fund	Road Fund	Fire Fund	Ambulance Fund	Sanitation Fund	Cemetery Perpetual Care Fund	Library Fund	Nonmajor-Recreation Fund	Total Governmental Funds
Assets									
Cash	\$ 1,128,549	\$ 717,619	\$ 291,425	\$ 309,544	\$ 80,258	\$ 2,517	\$	\$ 124,395	\$ 2,654,307
Interest receivable	83		140	54					277
Taxes receivable	9,243	7,910	3,954	1,975	4,330			2,133	29,545
Accounts receivable (net)	2,285								2,285
Interfund receivables	1,022								1,022
Due from other governmental units	29,624								29,624
Total assets	\$ 1,170,806	\$ 725,529	\$ 295,519	\$ 311,573	\$ 84,588	\$ 2,517	\$	\$ 126,528	\$ 2,717,060
Liabilities and Fund Balances									
Liabilities									
Accounts payable	\$ 11,024	\$	\$ 611	\$	\$ 3,431	\$	\$	\$ 522	\$ 15,588
Total liabilities	11,024		611		3,431			522	15,588
Fund Balances									
Nonspendable						1,560			1,560
Restricted	3,672	725,529	294,908	311,573	81,157			126,006	1,542,845
Committed	25,000								25,000
Assigned						957			957
Unassigned	1,131,110								1,131,110
Total fund balances	1,159,782	725,529	294,908	311,573	81,157	2,517		126,006	2,701,472
Total liabilities and fund balances	\$ 1,170,806	\$ 725,529	\$ 295,519	\$ 311,573	\$ 84,588	\$ 2,517	\$	\$ 126,528	\$ 2,717,060

See accompanying notes to financial statements.

SANDS TOWNSHIP

**RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO
GOVERNMENTAL NET POSITION**

March 31, 2014

Total Governmental Fund Balances		\$	2,701,472
Amounts reported for governmental activities in the statement of net position 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	\$ 2,601,913		
Accumulated depreciation is	<u>(1,097,528)</u>		<u>1,504,385</u>
Net position of governmental activities		\$	<u><u>4,205,857</u></u>

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, 2014**

	General Fund	Road Fund	Fire Fund	Ambulance Fund	Sanitation Fund	Cemetery Perpetual Care Fund	Library Fund	Nonmajor- Recreation Fund	Total Governmental Funds
Revenues									
Taxes and penalties	\$ 164,090	\$ 125,705	\$ 62,835	\$ 31,399	\$ 68,810	\$	\$ 59,280	\$ 33,915	\$ 546,034
Licenses and permits	2,675								2,675
State grants	187,137	1,303	651	325	713			352	190,481
Contributions from local units	55,329								55,329
Charges for services	28,370								28,370
Interest and rentals	13,249	3,659	1,727	1,350	25	2		48	20,060
Other	11,664		1,310			25			12,999
Total revenues	462,514	130,667	66,523	33,074	69,548	27	59,280	34,315	855,948
Expenditures									
Legislative	13,685								13,685
General government	140,334								140,334
Public safety	24,303		26,405						50,708
Public works	63,919	192			55,389				119,500
Health and welfare	19,911			169					20,080
Community/economic development	11,517								11,517
Recreation and culture	6,384						59,280	7,964	73,628
Other	34,306								34,306
Capital outlay				6,603					6,603
Total expenditures	314,359	192	26,405	6,772	55,389		59,280	7,964	470,361
Excess of Revenues Over (Under) Expenditures	148,155	130,475	40,118	26,302	14,159	27		26,351	385,587
Other financing sources (uses)									
Operating transfers in						130			130
Operating transfers out	(130)								(130)
Total other financing sources (uses)	(130)					130			
Excess of revenues and other sources over (under) expenditures and other uses	148,025	130,475	40,118	26,302	14,159	157		26,351	385,587
Fund Balances - April 1, 2013	1,011,757	595,054	254,790	285,271	66,998	2,360		99,655	2,315,885
Fund Balances - March 31, 2014	\$ 1,159,782	\$ 725,529	\$ 294,908	\$ 311,573	\$ 81,157	\$ 2,517	\$	\$ 126,006	\$ 2,701,472

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, 2014**

Net Change in Fund Balances - Total Governmental Funds **\$ 385,587**

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	\$ (95,968)	
Capital outlay	<u>6,603</u>	<u>(89,365)</u>

Change in Net Position of Governmental Activities **\$ 296,222**

See accompanying notes to financial statements.

SANDS TOWNSHIP
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
March 31, 2014

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	<u>\$ 1,022</u>
Liabilities and Net Position	
Liabilities	
Interfund payables	<u>\$ 1,022</u>
Total liabilities and net position	<u>\$ 1,022</u>

See accompanying notes to financial statements.

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

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 Sands Township:

Reporting Entity

Sands Township is governed by an elected five-member Board of Trustees and provides services for about 2,900 residents which include fire and ambulance protection, recreational facilities, 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 position and the statement of changes in net position) 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.

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

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, licenses and permits, charges for services 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.

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Fund Based Statements – Continued

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

The Cemetery Perpetual Care Fund accounts 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.

The Fire Fund accounts for revenues from state and federal grants and special tax levies restricted for equipment, maintenance and improvements for the fire department.

The Ambulance Fund accounts for revenues from state and federal grants and special tax levies restricted for equipment for the Township ambulance department.

The Sanitation Fund accounts for revenues from state and federal grants and special tax levies restricted for sanitation operations, disposal and equipment.

The Library Fund accounts for revenues from special tax levies restricted for library services from the Peter White Public Library.

Additionally, the Township reports the following fund types:

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.

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Fund Based Statements – Continued

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.

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.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances 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, 2014 was 2.0529 per \$1,000 of taxable valuation of \$70,011,597, on which an ad valorem tax was levied of \$143,662 for operating purposes. An additional .8993 per \$1,000 of taxable valuation was levied for fire equipment, maintenance and improvements, raising \$62,830; .4494 per \$1,000 of taxable valuation for ambulance equipment, raising \$31,394; .4854 per \$1,000 of taxable valuation for recreation facilities, raising \$33,909; 1.7991 per \$1,000 of taxable valuation was levied for roads, raising \$125,702; and .9848 per \$1,000 of taxable valuation was levied for sanitation, raising \$68,804. These amounts are recognized in the respective General and Special Revenue Fund financial statements as taxes receivable or as tax revenue.

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assets, Liabilities, and Net Assets or Equity—Continued

The Township agreed to provide 1 mill for the library services of which .8491 mills was levied, raising \$59,280. Under the provisions of Michigan Compiled Laws 397.213, Sands Township contracted with Peter White Public Library for five years to receive library services.

Inventories and Prepaid Costs – The Township does not record items as inventories. Supplies are recorded as expenditures when they are purchased. Certain payments to vendors reflect costs in both government-wide and fund financial statements.

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:

Land improvements	20-25 years
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.

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

Subsequent Events – Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Township's general and special revenue funds. The budget document presents information by fund, function, department, and line items. The legal level on budgetary control adopted by the governing body is the department item level. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to the beginning of the fiscal year, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted by resolution.
4. Any revision that alters the original budget of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY—Continued

Budgetary Information—Continued

6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles.
7. Budget appropriations lapse at the end of each fiscal year.
8. Budgeted amounts are as originally adopted, or as amended by the Township Board. Individual amendments were not material in relation to the original budget.
9. The Township does not record encumbrances in the accounting records during the year as normal practice and therefore, no outstanding encumbrances exist at year-end.

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.

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.

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

NOTE C – DEPOSITS AND INVESTMENTS - Continued

All investments are put in federally insured bank accounts subject to the FDIC and NCUA insurance limit of \$250,000 per account. The cash from all funds was maintained in a common, interest bearing checking account except for the cemetery trust, road millage, and tax collection funds which had their own checking accounts. The interest in the common bank account was allocated to the Fire, Ambulance, Recreation, Sanitation and General Funds based upon the average month end balances throughout the year.

Investment and Deposit Risk

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

Governmental activities	\$2,654,307
Fiduciary funds	<u>1,022</u>
Total	<u>\$2,655,329</u>

Interest Rate Risk – State law limits the allowable investments and maturities of some of the allowable investments as identified above. The Township’s investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk – Deposits—Custodial credit risk is the risk that in the event of a bank failure, the Township’s deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. 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 \$2,668,281 of which \$1,700,102 is covered by federal depository insurance and \$188,595 is covered by the National Credit Union Administration. The remaining amount of \$779,584 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE D – ACCOUNTS RECEIVABLE

Sands Township established an allowance for uncollectible ambulance accounts receivable during the year ended March 31, 2014. This was based on collectability of accounts over the past several years. Accounts receivable were \$4,835 with an allowance of \$2,550, leaving net receivables of \$2,285 for the year ended March 31, 2014.

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

NOTE E – CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets Not Being Depreciated				
Equity in Marquette County				
Solid Waste Mgmt. Authority	\$ 57,425	\$	\$	\$ 57,425
Land	<u>311,028</u>	_____.	_____.	<u>311,028</u>
Subtotal	<u>368,453</u>	_____.	_____.	<u>368,453</u>
Capital Assets Being Depreciated				
Land improvements	248,868			248,868
Buildings	1,009,847			1,009,847
Equipment	145,419	6,603		152,022
Vehicles	<u>822,723</u>	_____.	_____.	<u>822,723</u>
Subtotal	<u>2,226,857</u>	<u>6,603</u>	_____.	<u>2,233,460</u>
Less Accumulated Depreciation for				
Land improvements	67,370	11,617		78,987
Buildings	321,223	26,135		347,358
Equipment	72,134	12,129		84,263
Vehicles	<u>540,833</u>	<u>46,087</u>	_____.	<u>586,920</u>
Subtotal	<u>1,001,560</u>	<u>95,968</u>	_____.	<u>1,097,528</u>
Net Capital Assets Being Depreciated	<u>1,225,297</u>	<u><89,365></u>	_____.	<u>1,135,932</u>
Governmental Activities Total				
Capital Assets—net of Depreciation	<u>\$1,593,750</u>	<u>\$<89,365></u>	<u>\$_____.</u>	<u>\$1,504,385</u>

NOTE F – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Due To/From Other Funds:

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
General	<u>\$1,022</u>	Tax	<u>\$1,022</u>

Interfund receivables and payables are recorded for minimum bank balances and are not expected to be repaid within one year.

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

NOTE G – JOINT VENTURE

Marquette County Solid Waste Management Authority

During 1988, Sands Township joined 21 other municipalities in the Marquette County Solid Waste Management Authority (“Authority”). The Authority was created pursuant to Act 233 of 1955 to plan for, acquire, construct, finance, operate, maintain, repair and dispose of, whether by sale, lease, or otherwise, an Act 641 landfill, including all improvements, appurtenances, easements, accessory facilities and structures, equipment, and other property part of or incidental to the landfill sufficient to satisfy the requirements of, and function as a solid waste disposal area under Act 641 and to establish and administer procedures providing for the separation, recycling, recovery, and conversion of solid waste to energy and for the disposition of such energy output and disposal at the site of Non-toxic Type II and Type III Solid Waste, to fund all of the above activities, to charge and collect fees in connection with the operation of the landfill and to provide for the reimbursement with receipt of bond proceeds to the City of Marquette and Sands Township of their respective costs and expenses incurred in connection with the establishment and administration of the Solid Waste Authority and the System Facility.

The Authority is governed by a Board of Trustees consisting of one member (who shall be the Chairperson of the Board of Trustees) designated by the Sands Township Supervisor on behalf of Sands Township, two members designated by the Marquette City Commission, three members designated by the Marquette County Board of Commissioners, and one resident of the City of Marquette appointed by the other six Authority Board members. All decisions of the Board are made by majority vote, consisting of at least four of its members.

The Township’s pro-rata share (based on population) of assets, liabilities, and net position is 3.291 percent. Summary financial information as of and for the fiscal year ended June 30, 2013, is as follows:

Total Assets	\$12,433,194
Total Liabilities	1,934,961
Total Net Position	10,498,233
Total Operating Revenues	2,414,703
Total Operating Expenses	3,279,131
Other Revenue (Expenses)	(161,050)
Change In Net Position	(1,025,478)
Total Joint Venture’s Outstanding Long-Term Debt	1,664,586

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

NOTE G – JOINT VENTURE – Continued

The Township has included their equity interest of the Authority in the Net Position on the Statement of Net Position.

The audited financial statements of the Marquette County Solid Waste Management Authority can be obtained at 600 County Road NP, Marquette, MI 49855.

NOTE H – DEFERRED COMPENSATION PLAN

Sands Township offers all employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan were held in trust, (custodial account or annuity contract) as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof of the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in Sands Township's financial statements.

NOTE I – 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. During the year ended March 31, 2014, Marquette Township transferred \$1,373 to meet this obligation.

NOTE J – FUND BALANCES – GOVERNMENTAL FUNDS

As of March 31, 2014, fund balances of the governmental funds are classified as follows:

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

NOTE J – FUND BALANCES – GOVERNMENTAL FUNDS – Continued

Nonspendable—amounts that cannot be spent either because they are not in spendable form or legally or contractually required to be maintained intact.

Restricted—amounts that can be spent only for specific purposes stipulated by external resource providers or because of constitutional provisions or enabling legislation.

Committed—amounts that can be used only for the specific purposes determined by a formal action of the Township Board. Commitments may be changed or removed by the same actions of the Township Board.

Assigned—amounts that are intended to be used for specific purposes, but are neither restricted or committed. Under the Township’s adopted policy, the Financial Manager may assign amounts for specific purposes.

Unassigned—amounts not reported in any other classification.

As of March 31, 2014, fund balances are composed of the following:

	General	Special Revenue	Permanent	Total
Nonspendable:				
Cemetery trust	\$	\$	\$ 1,560	\$ 1,560
Restricted:				
Roads	\$	\$ 725,529	\$	\$ 725,529
Fire		294,908		294,908
Ambulance		311,573		311,573
Sanitation		81,157		81,157
Parks/recreation		126,006		126,006
Jack Pine Musher Dissolution	1,072			1,072
Aquifer modeling project	2,600			2,600
Total restricted	\$ 3,672	\$ 1,539,173	\$	\$ 1,542,845
Committed:				
Assessor Contract	\$ 25,000	\$	\$	\$ 25,000
Assigned:				
Cemetery trust	\$	\$ 957	\$	\$ 957
Unassigned:	\$ 1,131,110	\$	\$	\$ 1,131,110

SANDS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

NOTE J – FUND BALANCES – GOVERNMENTAL FUNDS – Continued

The Township Board establishes changes or removes fund balance commitments through adoption and amendments to the budget or application and acceptance of grant funds. Assigned fund balance is established by the Financial Manager.

Under the policy that was adopted, the Township established guidelines for maintaining adequate levels of unrestricted fund balance in the General Fund, the portion that reflects expendable available financial resources. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Township considers restricted funds to have been spent first. The policy stipulates that the unrestricted fund balance shall not be less than twelve months of regular general fund operating expenditures and transfers out. The policy also indicates that the unrestricted fund balance will be spent down in the following order: committed amounts, assigned amounts, and then unassigned amounts.

NOTE K – 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 L – RELATED PARTY TRANSACTIONS

Sands Township Supervisor Ben Yelle owns Yelle Mechanical Services that provides maintenance and repair services for the Township. Amounts that totaled \$9,986 were paid to Yelle Mechanical Services for the year ended March 31, 2014.

REQUIRED SUPPLEMENTAL INFORMATION

SANDS TOWNSHIP

**REQUIRED SUPPLEMENTAL INFORMATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED MARCH 31, 2014**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
Revenues				
Taxes and penalties				
Current taxes	\$ 142,222	\$ 142,222	\$ 143,662	\$ 1,440
Delinquent tax, penalty, interest & fees	15,100	15,100	20,428	5,328
Total taxes and penalties	<u>157,322</u>	<u>157,322</u>	<u>164,090</u>	<u>6,768</u>
State grants				
State shared revenue	164,000	164,000	168,965	4,965
Metro authority act			5,458	5,458
PILT/CFR	1,500	1,500	5,239	3,739
Swamp tax	5,700	5,700	7,475	1,775
Total state grants	<u>171,200</u>	<u>171,200</u>	<u>187,137</u>	<u>15,937</u>
Contributions from local units	<u>56,000</u>	<u>56,000</u>	<u>55,329</u>	<u>(671)</u>
Interest and rentals	<u>4,500</u>	<u>4,500</u>	<u>13,249</u>	<u>8,749</u>
Charges for services				
Trailer fees	42	42	359	317
Other fees	32,000	32,000	28,011	(3,989)
Total charges for services	<u>32,042</u>	<u>32,042</u>	<u>28,370</u>	<u>(3,672)</u>
Licenses and permits	<u>2,000</u>	<u>2,000</u>	<u>2,675</u>	<u>675</u>
Other				
Miscellaneous	34,500	34,500	11,664	(22,836)
Total other	<u>34,500</u>	<u>34,500</u>	<u>11,664</u>	<u>(22,836)</u>
Total revenues	<u>457,564</u>	<u>457,564</u>	<u>462,514</u>	<u>4,950</u>

SANDS TOWNSHIP

**REQUIRED SUPPLEMENTAL INFORMATION
GENERAL FUND**

**BUDGETARY COMPARISON SCHEDULE - Continued
FOR THE YEAR ENDED MARCH 31, 2014**

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Expenditures				
LEGISLATIVE - Township board	\$ 15,400	\$ 15,400	\$ 13,685	\$ (1,715)
GENERAL GOVERNMENT				
Supervisor	23,300	23,300	22,026	(1,274)
Clerk	26,000	26,000	22,951	(3,049)
Audit and accounting	6,400	6,400	5,300	(1,100)
Board of review	5,700	5,700	2,025	(3,675)
Treasurer	26,900	26,900	27,476	576
Assessor/equalization	22,300	27,300	25,465	(1,835)
Elections	5,400	5,400	1,768	(3,632)
Buildings and grounds	51,600	51,600	28,759	(22,841)
Legal	12,000	12,000	2,778	(9,222)
Cemetery	10,200	10,200	1,786	(8,414)
TOTAL GENERAL GOVERNMENT	189,800	194,800	140,334	(54,466)
PUBLIC SAFETY				
Fire department #1	22,500	22,500	20,356	(2,144)
Fire department #2	5,000	5,000	3,947	(1,053)
Animal control	200	200		(200)
TOTAL PUBLIC SAFETY	27,700	27,700	24,303	(3,397)
PUBLIC WORKS				
Highways, streets and lighting	5,860	5,860	5,848	(12)
Sanitation	68,500	68,500	51,652	(16,848)
Transfer station	9,200	9,200	3,919	(5,281)
Well testing/aquifer	13,800	13,800	2,500	(11,300)
TOTAL PUBLIC WORKS	97,360	97,360	63,919	(33,441)

SANDS TOWNSHIP

**REQUIRED SUPPLEMENTAL INFORMATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE - Continued
FOR THE YEAR ENDED MARCH 31, 2014**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
HEALTH AND WELFARE				
Ambulance	\$ 32,500	\$ 32,500	\$ 19,911	\$ (12,589)
COMMUNITY/ECONOMIC DEVELOPMENT				
Zoning	16,800	16,800	11,517	(5,283)
RECREATION AND CULTURE				
Parks and recreation	7,300	7,300	6,264	(1,036)
Library committee meeting	380	380	120	(260)
TOTAL RECREATION AND CULTURE	<u>7,680</u>	<u>7,680</u>	<u>6,384</u>	<u>(1,296)</u>
OTHER				
Insurance	25,000	25,000	21,262	(3,738)
Township share FICA	15,400	15,400	13,044	(2,356)
Needed for contingencies	29,924	24,924		(24,924)
Transfer to other funds			130	130
TOTAL OTHER	<u>70,324</u>	<u>65,324</u>	<u>34,436</u>	<u>(30,888)</u>
Total expenditures	457,564	457,564	314,489	(143,075)
Net Change in Fund Balance			148,025	148,025
Fund Balance - April 1, 2013	<u>1,011,757</u>	<u>1,011,757</u>	<u>1,011,757</u>	
Fund Balance - March 31, 2014	<u>\$1,011,757</u>	<u>\$1,011,757</u>	<u>\$ 1,159,782</u>	<u>\$ 148,025</u>

SANDS TOWNSHIP

**REQUIRED SUPPLEMENTAL INFORMATION
SPECIAL REVENUE FUND- FIRE
AND PERMANENT FUND-CEMETERY PERPETUAL CARE
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2014**

	Fire Fund		Cemetery Perpetual Care Fund	
	Original and Amended Budget	Actual	Variance With Amended Budget	Actual
Revenues				
Current tax collections	\$ 62,320	\$ 62,835	\$	\$
State grants-PILT/CFR		651		
Interest		1,727		2
Miscellaneous		1,310		25
Total revenues	<u>62,320</u>	<u>66,523</u>	<u>4,203</u>	<u>27</u>
Expenditures				
Supplies	62,320	5,324		
Maintenance and repair		17,863		
Communications		2,894		
Miscellaneous		324		
Total expenditures	<u>62,320</u>	<u>26,405</u>	<u>(35,915)</u>	
Excess of revenues over (under) expenditures		40,118	40,118	27
Other financing sources (uses)				
Operating transfers in				130
Excess of revenue and other sources over (under) expenditures and other uses		40,118	40,118	157
Fund Balances - April 1, 2013	<u>254,790</u>	<u>254,790</u>	<u>254,790</u>	<u>2,360</u>
Fund Balances - March 31, 2014	<u>\$ 254,790</u>	<u>\$ 294,908</u>	<u>\$ 294,908</u>	<u>\$ 2,517</u>

SANDS TOWNSHIP

**REQUIRED SUPPLEMENTAL INFORMATION
SPECIAL REVENUE FUNDS- AMBULANCE
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2014**

	Ambulance Fund		
	Original and Amended Budget	Actual	Over (Under) Budget
Revenues			
Taxes-current tax collections	\$ 31,122	\$ 31,399	\$ 277
State grants-PILT/CFR		325	325
Interest		1,350	1,350
	<u>31,122</u>	<u>33,074</u>	<u>1,952</u>
Total revenues			
Expenditures			
Health and welfare	31,122	169	(30,953)
Capital outlay		6,603	6,603
	<u>31,122</u>	<u>6,772</u>	<u>(24,350)</u>
Total expenditures			
Net Change in Fund Balances		26,302	26,302
Fund Balances - April 1, 2013	<u>285,271</u>	<u>285,271</u>	<u></u>
Fund Balances - March 31, 2014	<u>\$ 285,371</u>	<u>\$ 311,573</u>	<u>\$ 26,302</u>

SANDS TOWNSHIP

**REQUIRED SUPPLEMENTAL INFORMATION
SPECIAL REVENUE FUNDS- SANITATION
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2014**

	Sanitation Fund		
	Original and Amended Budget	Actual	Over (Under) Budget
Revenues			
Taxes-current tax collections	\$ 68,242	\$ 68,810	\$ 568
State grants-PILT/CFR		713	713
Interest		25	25
Total revenues	68,242	69,548	1,306
Expenditures			
Public works	68,242	55,389	(12,853)
Net Change in Fund Balances		14,159	14,159
Fund Balances - April 1, 2013	66,998	66,998	
Fund Balances - March 31, 2014	\$ 66,998	\$ 81,157	\$ 14,159

SANDS TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION
SPECIAL REVENUE FUNDS- ROAD
 STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED MARCH 31, 2014

	Road Fund		
	Original and Amended Budget	Actual	Over (Under) Budget
Revenues			
Taxes-current tax collections	\$ 124,676	\$ 125,705	\$ 1,029
State grants-PILT/CFR		1,303	1,303
Interest		3,659	3,659
Total revenues	124,676	130,667	5,991
Expenditures			
Roads	124,676	192	(124,484)
Net Change in Fund Balances		130,475	130,475
Fund Balances - April 1, 2013	595,054	595,054	
Fund Balances - March 31, 2014	\$ 595,054	\$ 725,529	\$ 130,475

SANDS TOWNSHIP

**REQUIRED SUPPLEMENTAL INFORMATION
SPECIAL REVENUE FUNDS- LIBRARY
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2014**

	Library Fund		
	Original and Amended Budget	Actual	Over (Under) Budget
Revenues			
Correct tax collections	\$ 59,280	\$ 59,280	\$
Total revenues	59,280	59,280	
Expenditures			
Recreation and culture	59,280	59,280	
Net Change in Fund Balances			
Fund Balances - April 1, 2013			
Fund Balances - March 31, 2014	\$	\$	\$

OTHER SUPPLEMENTAL INFORMATION

SANDS TOWNSHIP

**OTHER SUPPLEMENTAL INFORMATION
NONMAJOR GOVERNMENTAL FUND- RECREATION
BALANCE SHEET
March 31, 2014**

Assets	
Cash	\$ 124,395
Taxes receivable	<u>2,133</u>
Total assets	<u><u>\$ 126,528</u></u>
Liabilities and Fund Balance	
Liabilities	
Accounts payable	<u>\$ 522</u>
Total liabilities	<u>522</u>
Fund Balance	
Unreserved-undesignated	<u>126,006</u>
Total fund balance	<u>126,006</u>
Total liabilities and fund balance	<u><u>\$ 126,528</u></u>

SANDS TOWNSHIP

**OTHER SUPPLEMENTAL INFORMATION
NONMAJOR GOVERNMENTAL FUND- RECREATION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2014**

Revenues	
Current tax collections	\$ 33,915
State grants- PILT/CFR	352
Interest	<u>48</u>
Total revenues	<u>34,315</u>
Expenditures	
Recreation and culture	<u>7,964</u>
Net Change in Fund Balance	26,351
Fund Balance- April 1, 2013	<u>99,655</u>
Fund Balance- March 31, 2014	<u><u>\$ 126,006</u></u>

SANDS TOWNSHIP

**OTHER SUPPLEMENTAL INFORMATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET POSITION
FOR THE YEAR ENDED MARCH 31, 2014**

	<u>Agency Funds</u>		
	<u>Tax Collection</u>	<u>Trust and Agency</u>	<u>Total</u>
Assets			
Cash and investments	<u>\$ 1,022</u>	<u>\$</u>	<u>\$ 1,022</u>
Liabilities and Net Position			
Liabilities			
Interfund payables	<u>\$ 1,022</u>	<u>\$</u>	<u>\$ 1,022</u>
Total liabilities and net position	<u>\$ 1,022</u>	<u>\$</u>	<u>\$ 1,022</u>

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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, for the year ended March 31, 2014 and have issued our report thereon June 23, 2014. Professional standards require that we provide you with the following information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated April 17, 2014.

SIGNIFICANT AUDIT FINDINGS

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Sands Township are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended March 31, 2014. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting Sands Township's financial statements were:

- Management's estimate of the capital asset depreciation is based on the estimated useful lives.
- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

SANDS TOWNSHIP
COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE – Continued
Page Two

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

- Note C – Deposits and Investments included assumptions on the insurable coverage of the various bank accounts. The disclosure was evaluated based on the bank account balances.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management will correct these with the adjusting journal entries that were given to the Clerk and are attached to this letter.

Disagreements with Management

For the purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 23, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Sands Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

SANDS TOWNSHIP
COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE – Continued
Page Three

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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

Very truly yours,

Cowell & LaPointe, PC
Certified Public Accountants

June 23, 2014

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INTERNAL CONTROL COMMUNICATION

Board of Trustees
Sands Township
Marquette County, Michigan

In planning and performing our audit of 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, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered Sands Township's internal control over financial reporting (internal control) as a basis for designing our audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 Sands Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies to be material weaknesses and significant deficiencies.

➤ **Finding 2014-1—Assist in Preparing Financial Statements and Footnotes**

Condition: Responsibility for preparation of financial statements rests with the Township's management and requires internal controls. The Township maintains financial records which report revenues and expenditures throughout the year.

INTERNAL CONTROL COMMUNICATION--Continued

Page 2

Historically, Sands Township has relied on the independent auditors to assist in preparing the financial statements, including the notes to the financial statements.

Statement on Auditing Standards (SAS) No. 115 requires us to communicate when a client requires assistance in preparing the financial statements in accordance with accounting principles generally accepted in the United States of America.

Criteria: The review of financial statements by staff with expertise in financial reporting is an internal control intended to prevent, detect and correct potential misstatements. Independent auditors cannot be part of Sands Township's internal controls.

Cause: It has been more cost effective to outsource the preparation of financial statements to the independent auditors than to incur time and cost of employees obtaining training necessary to perform this task internally.

Effect: The financial statements would not meet the requirements for generally accepted accounting principles.

Recommendation: Due to the size and budget constraints of Sands Township we do not recommend any changes in procedures at this time.

Management Response—Corrective Action Plan:

- Contact person—Lee Yelle, Clerk
- Sands Township agrees the current system of auditing is financially acceptable to the Township in that both the Clerk and Treasurer are not CPA's and our budget does not allow for the use of significant outside professionals. We feel that, presently, this arrangement gives us confidence in the final outcome of our finances.
- Anticipated completion date—n/a

➤ **Finding 2014-2—Year End Adjusting Journal Entries**

Condition: There was a significant reduction in the number of adjusting journal entries proposed by the auditors this year; however, the proposed entries are material to the financial statements. SAS No. 115 indicates that management is responsible for establishing, maintaining, and monitoring internal controls, and for fair presentation in the financial statements.

Criteria: The modified accrual and accrual basis of accounting is required for governmental entities.

Cause: The staff does not have the resources and time to obtain the expertise needed to convert the records from cash basis to accrual basis.

INTERNAL CONTROL COMMUNICATION--Continued

Page 3

Effect: The financial statements would be misstated without the adjusting journal entries.

Recommendation: We suggest you continue your diligence in proper recording of transactions.

Management Response—Corrective Action Plan

- Contact person—Lee Yelle, Clerk
- Sands Township will continue to make adjusting entries to reduce the number of adjustments to be made by the auditor at the end of the year
- Anticipated completion date—March 31, 2015

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

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

June 23, 2014

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Sands Township
Marquette County, Michigan

We have audited, in accordance with the 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 and with standards prescribed by the State Treasurer, 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, 2014, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements and have issued our report thereon dated June 23, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sands Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sands Township's internal control. Accordingly, we do not express an opinion of the effectiveness of Sands Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Internal Control Communication, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control 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 *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL - Continued

deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Internal Control Communication to be material weaknesses and significant deficiencies.

Findings 2014-1, 2014-2

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 or other matters that are required to be reported under *Government Auditing Standards*.

Sands Township's Response to Findings

Sands Township's response to the findings identified in our audit is described in the accompanying Internal Control Communication. Sands Township's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cowell & LaPointe, PC
Certified Public Accountants
Marquette, Michigan

June 23, 2014