04-1010

TOWNSHIP OF WELLINGTON
Alpena County, Michigan

RECEIVED
DEPT. OF TREASURY
AUG - 6 2004
LOCAL AUDIT & FINANCE DIV.

GENERAL PURPOSE FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Year Ended March 31, 2004

Michigan Dept. of Treasury, Local Audit & Finance Division
496 (3-98). Formerly L-3147

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type	Local Government Name	County
☐ City ☒ Township ☐ Village ☐ Other	Township of Wellington	Alpena

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
March 31, 2004	July 20, 2004	July 20, 2004

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

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We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.

☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).

☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).

☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.

☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).

☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.

☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).

☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name)			
Campbell, Kusterer & Co., P.C.			
Street Address	**City**	**State**	**Zip**
512 N. Lincoln, Suite 100, P.O. Box 686	Bay City	MI	48707
Accountant Signature			
Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF WELLINGTON
Alpena County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

INDEPENDENT AUDITOR'S REPORT

July 20, 2004

To the Township Board
Township of Wellington
Alpena County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Wellington, Alpena County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Wellington's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Wellington, Alpena County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Wellington, Alpena County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF WELLINGTON
Alpena County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS
March 31, 2004

EXHIBIT A

	Governmental Fund Type	Fiduciary Fund Type	Account Group	Total (Memorandum Only)
	General	Agency	General Fixed Assets	
Assets				
Cash in bank	116 110 23	-	-	116 110 23
Investments	48 489 79	116 46	-	48 606 25
Due from other funds	116 46	-	-	116 46
Taxes receivable	4 310 26	-	-	4 310 26
Land	-	-	3 500 00	3 500 00
Buildings	-	-	39 820 00	39 820 00
Equipment	-	-	3 106 95	3 106 95
Total Assets	169 026 74	116 46	46 426 95	215 570 15
Liabilities and Fund Equity				
Liabilities:				
Due to other funds	-	116 46	-	116 46
Total liabilities	-	116 46	-	116 46
Fund equity:				
Investment in general fixed assets	-	-	46 426 95	46 426 95
Fund balances:				
Unreserved:				
Undesignated	169 026 74	-	-	169 026 74
Total fund equity	169 026 74	-	46 426 95	215 453 69
Total Liabilities and Fund Equity	169 026 74	116 46	46 426 95	215 570 15

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

TOWNSHIP OF WELLINGTON
Alpena County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

EXHIBIT B

Year Ended March 31, 2004

	Governmental Fund Type General
Revenues:	
Property taxes	19 762 43
Other taxes	6 007 56
Licenses and permits	3 715 00
State revenue sharing	20 412 00
Charges for services – PTAF	4 482 27
Interest	1 898 51
Miscellaneous	22 22
Total revenues	56 299 99
Expenditures:	
Legislative:	
Township Board	700 00
General government:	
Supervisor	2 920 00
Assessor	3 500 00
Clerk	3 130 00
Board of Review	600 00
Treasurer	3 250 00
Township hall and grounds	2 696 19
Unallocated	4 753 74
Public safety:	
Fire protection	6 875 00
Protective inspection	3 715 00
Public works:	
Highways and streets	13 943 41
Other:	
Insurance	3 890 00
Pension	1 200 28
Total expenditures	51 173 62
Excess of revenues over expenditures	5 126 37
Fund balance, April 1	163 900 37
Fund Balance, March 31	169 026 74

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

TOWNSHIP OF WELLINGTON
Alpena County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

EXHIBIT C
Page 1

Year Ended March 31, 2004

	General Fund		
	Budget	Actual	Over (Under) Budget
Revenues:			
Property taxes	19 200 00	19 762 43	562 43
Other taxes	6 000 00	6 007 56	7 56
Licenses and permits	6 000 00	3 715 00	(2 285 00)
State revenue sharing	23 000 00	20 412 00	(2 588 00)
Charges for services – PTAF	2 700 00	4 482 27	1 782 27
Interest	5 200 00	1 898 51	(3 301 49)
Miscellaneous	100 00	22 22	(77 78)
Total revenues	62 200 00	56 299 99	(5 900 01)
Expenditures:			
Legislative:			
Township Board	700 00	700 00	-
General government:			
Supervisor	2 920 00	2 920 00	-
Elections	700 00	-	(700 00)
Assessor	3 500 00	3 500 00	-
Clerk	3 130 00	3 130 00	-
Board of Review	700 00	600 00	(100 00)
Treasurer	3 250 00	3 250 00	-
Township hall and grounds	3 625 00	2 696 19	(928 81)
Unallocated	9 800 00	4 753 74	(5 046 26)
Public safety:			
Fire protection	7 000 00	6 875 00	(125 00)
Protective inspection	5 000 00	3 715 00	(1 285 00)
Public works:			
Highways and streets	14 500 00	13 943 41	(556 59)
Other:			
Insurance	4 000 00	3 890 00	(110 00)
Pension	1 300 00	1 200 28	(99 72)
Total expenditures	60 125 00	51 173 62	(8 951 38)

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

TOWNSHIP OF WELLINGTON
Alpena County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND
Year Ended March 31, 2004

EXHIBIT C
Page 2

	General Fund		
	Budget	Actual	Over (Under) Budget
Excess of revenues over expenditures	2 075 00	5 126 37	3 051 37
Fund balance, April 1	159 894 84	163 900 37	4 005 53
Fund Balance, March 31	161 969 84	169 026 74	7 056 90

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

TOWNSHIP OF WELLINGTON
Alpena County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Wellington, Alpena County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Wellington. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups categorized and described as follows:

Governmental Fund

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund

This fund is used to account for assets held in trust or as an agent for others.

Account Group

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2003 Township tax roll millage rate was 1.8106 mills, and the taxable value was $10,971,209.00.

Fixed Assets

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. They are also recorded at cost in the General Fixed Assets Group of Accounts as required by generally accepted accounting principles.

Note 1 – Summary of Significant Accounting Policies (continued)

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.

2. The proposed budgets include expenditures as well as the methods of financing them.

3. Public hearings are held to obtain taxpayer comments.

4. The budgets are adopted at the activity level by a majority vote of the Township Board.

5. The budgets are adopted on the modified accrual basis of accounting.

6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

7. The adopted budgets are used as a management control device during the year for all budgetary funds.

8. Budget appropriations lapse at the end of each fiscal year.

9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; 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 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 Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

Note 2 – Deposits and Investments (continued)

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	Carrying Amounts
Total Deposits	116 110 23

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	Bank Balances
Insured (FDIC)	104 431 69
Uninsured and Uncollateralized	11 640 64
Total Deposits	116 072 33

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

	(1)	(2)	(3)	Carrying Amount
Investment Type				
Risk-Categorized:				
Operating Funds	-	-	-	-

Note 2– Deposits and Investments (continued)

	(1)	(2)	(3)	Carrying Amount
Total Risk-Categorized Investments	-	-	-	-
Nonrisk-Categorized:				
Financial Institution Pooled Funds				48 606 25
Total Investments				48 606 25

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

Note 3 – Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	Balance 4/1/03	Additions	Deletions	Balance 3/31/04
Land	3 500 00	-	-	3 500 00
Buildings	39 820 00	-	-	39 820 00
Equipment	3 106 95	-	-	3 106 95
Totals	46 426 95	-	-	46 426 95

Note 4 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General	116 46	Current Tax Collection	116 46

Note 5 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 6 – Pension Plan

The Township has a defined contribution pension plan covering all full-time employees. The Township contributes a percentage of each covered employee's wages to the plan. Pension expense for the fiscal year ended March 31, 2004, was $1,200.28.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts, and workers' compensation 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 8 – Building Permits

As of March 31, 2004, the Township had building permit revenues of $3,715.00 and building permit expenses of $3,715.00.

Note 9 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF WELLINGTON
Alpena County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT D
Page 1

Township Board:	
Wages	700 00
Supervisor:	
Salary	2 670 00
Deputy	250 00
	2 920 00
Assessor:	
Contracted services	3 500 00
Clerk:	
Salary	2 880 00
Deputy	250 00
	3 130 00
Board of Review:	
Wages	600 00
Treasurer:	
Salary	3 000 00
Deputy	250 00
	3 250 00
Township hall and grounds:	
Operations	2 696 19
Unallocated:	
Advertising	97 76
Mileage	882 40
Miscellaneous	3 773 58
	4 753 74
Fire protection:	
Contracted services	6 875 00
Protective inspection:	
Inspection fees	3 715 00
Highways and streets:	
Repairs and maintenance	13 943 41

TOWNSHIP OF WELLINGTON
Alpena County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

Insurance	3 890 00
Pension	1 200 28
Total Expenditures	51 173 62

TOWNSHIP OF WELLINGTON
Alpena County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended March 31, 2004

EXHIBIT E

	Balance 4/1/03	Additions	Deductions	Balance 3/31/04
Assets				
Cash in Bank and Investments	113 95	285 264 31	285 261 80	116 46
Liabilities				
Due to other funds	113 95	18 819 50	18 816 99	116 46
Due to others	-	266 444 81	266 444 81	-
Total Liabilities	113 95	285 264 31	285 261 80	116 46

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

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LOCAL AUDIT & FIN.

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

July 20, 2004

To the Township Board
Township of Wellington
Alpena County, Michigan

We have audited the financial statements of the Township of Wellington, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Wellington in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board
Township of Wellington
Alpena County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board
Township of Wellington
Alpena County, Michigan

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Wellington will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants