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LOCAL AUDIT & FINANCE DIV.

TOWNSHIP OF ORANGE
Ionia County, Michigan
34-110

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 Orange	Ionia

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
March 31, 2004	August 19, 2004	August 19, 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 ORANGE
Ionia County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

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INDEPENDENT AUDITOR'S REPORT

August 19, 2004

To the Township Board
Township of Orange
Ionia County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Orange, Ionia 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 Orange'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 Orange, Ionia 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 Orange, Ionia 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 ORANGE
Ionia County, Michigan

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

EXHIBIT A

	Governmental Fund Types	Fiduciary Fund Type	Account Group	Total (Memorandum Only)
	General	Agency	General Fixed Assets	
Assets				
Cash in bank	193 430 82	1 003 96	-	194 434 78
Taxes receivable	3 809 56	-	-	3 809 56
Due from other funds	1 003 96	-	-	1 003 96
Land and buildings	-	-	38 747 95	38 747 95
Equipment	-	-	52 342 06	52 342 06
Total Assets	198 244 34	1 003 96	91 090 01	290 338 31
Liabilities and Fund Equity				
Liabilities:				
Due to other funds	-	1 003 96	-	1 003 96
Total liabilities	-	1 003 96	-	1 003 96
Fund equity:				
Investment in general fixed assets	-	-	91 090 01	91 090 01
Fund balances:				
Unreserved:				
Undesignated	198 244 34	-	-	198 244 34
Total fund equity	198 244 34	-	91 090 01	289 334 35
Total Liabilities and Fund Equity	198 244 34	1 003 96	91 090 01	290 338 31

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

TOWNSHIP OF ORANGE
Ionia 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	28 690 56
State revenue sharing	71 909 97
Charges for services:	
Property tax administration	9 214 12
Interest	2 574 95
Special assessments	6 315 00
Miscellaneous	3 486 43
Total revenues	122 191 03
Expenditures:	
Legislative:	
Township Board	4 541 90
General government:	
Supervisor	8 477 70
Assessor	8 000 00
Clerk	12 212 02
Board of Review	204 24
Treasurer	10 728 24
Building and grounds	1 469 18
Cemetery	1 765 00
Unallocated	3 411 96
Public safety:	
Fire protection	25 000 00
Ambulance	3 300 00
Planning and zoning	5 163 00
Public works:	
Highways and streets	20 246 64
Drains	3 284 51
Total expenditures	107 804 39
Excess of revenues over expenditures	14 386 64
Fund balance, April 1	183 857 70
Fund Balance, March 31	198 244 34

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

TOWNSHIP OF ORANGE
Ionia County, Michigan

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

	General Fund		
	Budget	Actual	Over (Under) Budget
Revenues:			
Property taxes	28 900 00	28 690 56	(209 44)
State revenue sharing	71 000 00	71 909 97	909 97
Charges for services:			
Property tax administration	7 700 00	9 214 12	1 514 12
Interest	1 500 00	2 574 95	1 074 95
Special assessments	5 500 00	6 315 00	815 00
Miscellaneous	1 345 00	3 486 43	2 141 43
Total revenues:	115 945 00	122 191 03	6 246 03
Expenditures:			
Legislative:			
Township Board	7 046 00	4 541 90	(2 504 10)
General government:			
Supervisor	10 030 00	8 477 70	(1 552 30)
Assessor	8 000 00	8 000 00	-
Clerk	15 544 00	12 212 02	(3 331 98)
Board of Review	1 590 00	204 24	(1 385 76)
Treasurer	11 671 00	10 728 24	(942 76)
Building and grounds	18 400 00	1 469 18	(16 930 82)
Cemetery	1 800 00	1 765 00	(35 00)
Unallocated	8 500 00	3 411 96	(5 088 04)
Public safety:			
Fire protection	67 208 60	25 000 00	(42 208 60)
Ambulance	6 500 00	3 300 00	(3 200 00)
Planning and zoning	11 460 00	5 163 00	(6 297 00)
Public works:			
Highways and streets	52 208 60	20 246 64	(31 961 96)
Drains	4 000 00	3 284 51	(715 49)
Contingency	5 700 00	-	(5 700 00)
Total expenditures	229 658 20	107 804 39	(121 853 81)
Excess (deficiency) of revenues over expenditures	(113 713 20)	14 386 64	128 099 84
Fund balance, April 1	113 713 20	183 857 70	70 144 50
Fund Balance, March 31	-	198 244 34	198 244 34

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

TOWNSHIP OF ORANGE
Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Orange, Ionia 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 Orange. 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

The Current Tax Collection Fund is used to account for assets held 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 Township 2003 tax roll millage rate was .9889 mills, and the taxable value was $33,198,566.00.

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)

Township 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.

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

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

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 three 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	194 434 78

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

	Bank Balances
Insured (FDIC)	140 357 83
Uninsured and Uncollateralized	54 570 52
Total Deposits	194 928 35

The Township of Orange did not have any investments as of March 31, 2004.

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 and buildings	38 747 95	-	-	38 747 95
Equipment	52 342 06	-	-	52 342 06
Totals	91 090 01	-	-	91 090 01

Note 4 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General	1 003 96	Current Tax Collection	1 003 96

Note 5 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 6 – Pension Plan

The Township maintains a defined contribution pension plan for its elected officials. The Township contributes a percentage of employees wages to the pension plan. For the fiscal year ended March 31, 2004, the Township's pension expense was $3,508.04.

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

The Township of Orange does not issue building permits. Building permits are issued by the County of Ionia.

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 ORANGE
Ionia County, Michigan

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

EXHIBIT D
Page 1

Township Board:	
Retirement	356 99
Payroll tax	204 94
Fees and per diem	2 275 00
Miscellaneous	1 704 97
	4 541 90
Supervisor:	
Payroll tax	562 12
Salary	6 240 00
Retirement	1 009 14
Miscellaneous	666 44
	8 477 70
Assessor:	
Contracted services	8 000 00
Clerk:	
Payroll tax	611 68
Retirement	1 041 77
Salary	6 448 00
Office supplies	700 00
Printing and publishing	1 156 35
Salary – deputy	400 00
Miscellaneous	1 854 22
	12 212 02
Board of Review:	
Payroll tax	9 24
Per diem	120 00
Miscellaneous	75 00
	204 24
Treasurer:	
Payroll taxes	623 98
Retirement	1 100 14
Salary	6 820 00
Salary – deputy	125 00
Expenses	2 059 12
	10 728 24
Building and grounds:	
Utilities	338 19
Maintenance	1 130 99
	1 469 18
Cemetery:	
Repairs and maintenance	1 765 00

TOWNSHIP OF ORANGE
Ionia County, Michigan

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

EXHIBIT D
Page 2

Unallocated:	
Attorney	284 96
Insurance	3 127 00
	3 411 96
Fire protection:	
Contracted services	25 000 00
Ambulance	3 300 00
Planning and zoning	5 163 00
Highways and streets	20 246 64
Drains	3 284 51
Total Expenditures	107 804 39

TOWNSHIP OF ORANGE
Ionia 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 3/1/04
Assets				
Cash in Bank	1 217 53	856 120 04	856 333 61	1 003 96
Liabilities				
Due to other funds	1 217 53	41 061 25	41 274 82	1 003 96
Due to other taxing units	-	815 058 79	815 058 79	-
Total Liabilities	1 217 53	856 120 04	856 333 61	1 003 96

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

RECEIVED
DEPT. OF TREASURY
SEP - 9 2004
LOCAL AUDIT & FINANCE DIV.

August 19, 2004

To the Township Board
Township of Orange
Ionia County, Michigan

We have audited the financial statements of the Township of Orange, 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 Orange 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 Orange
Ionia 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 Orange
Ionia 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 Orange 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