Michigan Department of Treasury
496 (02/06)

Auditing Procedures Report

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

Local Unit of Government Type	Local Unit Name	County
☐County ☐City ☒Twp ☐Village ☐Other	Gore Township	Huron

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
3/31/06	09/14/06	09/14/06

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

	YES	NO	**Check each applicable box below.** (See instructions for further detail.)
1.	☒	☐	All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2.	☒	☐	There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3.	☒	☐	The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4.	☒	☐	The local unit has adopted a budget for all required funds.
5.	☒	☐	A public hearing on the budget was held in accordance with State statute.
6.	☒	☐	The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7.	☒	☐	The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8.	☒	☐	The local unit only holds deposits/investments that comply with statutory requirements.
9.	☐	☒	The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10.	☒	☐	There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11.	☒	☐	The local unit is free of repeated comments from previous years.
12.	☒	☐	The audit opinion is UNQUALIFIED.
13.	☒	☐	The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14.	☒	☐	The board or council approves all invoices prior to payment as required by charter or statute.
15.	☒	☐	To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	☒	
The letter of Comments and Recommendations	☒	
Other (Describe)	☐	

Certified Public Accountant (Firm Name)	Telephone Number		
George A. Zahul CPA PC	989-269-9966		
Street Address	**City**	**State**	**Zip**
101 North Port Crescent	Bad Axe	MI	48413

Authorizing CPA Signature	Printed Name	License Number
George A. Zahul CPA	George A. Zahul CPA PC	1101013362

Gore Township
Port Hope, MI

Huron County

FINANCIAL REPORT
March 31, 2006

Gore Township

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George Zahul, CPA, PC
101 N Port Crescent St
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989-269-9966

Independent Auditor's Report

To the Township Board
Gore Township
Port Hope, MI 48468

I have audited the accompanying general purpose financial statements of the governmental activities, the business-type activities, the aggregated discretely presented component units, each major fund, and the aggregate remaining fund information of the Gore Township as of and for the year ended March 31, 2006, which collectively comprise the basic financial statements of the Gore Township management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Gore Township as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 14, 2006, on my consideration of the Gore Township internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Gore Township basic financial statements. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, i express no opinion on them.

George Zahul CPA PC

George Zahul, CPA, PC
September 14, 2006

George Zahul, CPA, PC
101 N Port Crescent St
Bad Axe, MI 48413
989-269-9966

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Township Board
Gore Township
Port Hope, MI 48468

I have audited the financial statements of the governmental activities, the business-type activities, the aggregated discretely presented component units, each major fund, and the aggregate remaining fund information of Gore Township as of and for the year ended March 31, 2006, which collectively comprise Gore Township basic financial statements and have issued my report thereon dated September 14, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Gore Township internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether Gore Township financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

This report is intended solely for the information and use of the audit committee, management, the State of Michigan, and the United States Department of Agriculture Rural Development and is not intended to be and should not be used by anyone other than those specified parties.

George Zahul, CPA, PC

George Zahul, CPA, PC
September 14, 2006

Gore Township
Management's Discussion and Analysis

This section of the Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year that ended on March 31, 2006. Please read it in conjunction with the district's financial statements, which immediately follow this section.

Financial Highlights

The 2005/06 fiscal years resulted in a Fund Balance in the General Funds and Special Revenue of $48,932.44. This was an expected result for the Township. The Fund Balances were slightly higher than was originally budgeted.

In total, Township revenues exceeded $51,552.29 for fiscal year ended March 31, 2006. Spending over the same time period was $69,025.44. In both cases that was a decrease of approximately $15,146.70 over fiscal 2004 for revenues and an increase of $22,766.81 for spending.

Overview of the Financial Statements

This annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information. The basic financial statements include two kinds of statements that present different views of the Township:

The first two statements are district-wide financial statements that provide both short-term and long-term information about the Township's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting the Township's operations in more detail than the district-wide statements.

Government-Wide Statements

The Government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statements of net assets include all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets – the difference between the Township assets and liabilities – are one way to measure the Township's financial health or position.

The government-wide financial statements of the Township are divided into categories:

Governmental Activities – Most of the Township's basic services are included here, such as public safety, public works, and general administration. Property taxes, state-shared revenue, and charges for services provided most of the funding.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's funds, focusing on its most significant or "major" funds – not the Township as a whole. Funds are accounting devices the Township uses to keep track of specific sources of funding and spending for particular purposes:

Some funds are required by State law and by bond covenants.

The Township establishes other funds to control and manage money for particular purposes.

The Township has one type of fund:

Governmental Funds – Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

Gore Township
Management's Discussion and Analysis

Financial Analysis of the Township as a Whole

Net Assets

Township net assets increased during the fiscal 2006. Township assets were fully depreciated.

Gore Township

		2006
Current and other Assets	$	48,932.44
Capital Assets, Less Accumulated Depreciation		10.00
Total Assets	$	48,942.44
Other Liabilities		0
Total Liabilities	$	0
Net Assets:		
Invested in Capital Assets net of Related Debt	$	10.00
Unrestricted		48,932.44
Total net Assets (deficit)	$	48,942.44

Changes in Gore Township Net Assets

		2006
Revenues		
Operating Grants	$	0
General Revenues		
Property Taxes		17,772.01
State Revenue Sharing		9,352.00
Other		24,428.28
Total Revenues	$	51,552.29
Expenses		
General Government	$	12,704.48
Public Safety		1,117.00
Public Works		15,589.00
Sanitation		22,349.39
Other		17,265.57
Business Type Activities		
Unallocated Depreciation		0
Total Expenses	$	69,025.44
Decrease in Net Assets	$	17,473.15

Gore Township
Management's Discussion and Analysis

Governmental Activities

Revenues for governmental activities totaled $51,552.29 in 2006. A total of $17,772.01 was in the form of property tax collections, an increase of $6,871.90 over 2004. This increase is due to the continuing growth in the tax base. State-shared revenues continue to be of concern. While it provided $9,352.00, we are uncertain what will happen in 2006 given the State's financial difficulties.

Financial Analysis of the Township's Funds & Budgets

The General Fund ended 2006 with a fund balance of $48,932.44. Several factors affected operating results. Total expenditures in the General Fund of $69,025.44 exceeded revenues of $51,552.29 by $17,473.15.

The General Fund budget is amended throughout the year as deemed necessary. This is primarily done to prevent expenditures from exceeding the budget. With that in mind, the General Fund expenditures were 90 percent of budget. With the exception of the previously mentioned items, no major General Fund areas were significantly under or over budget.

Capital Assets and Debt

The Township did not make any capital purchases during the year.

Factors Bearing on the Township's Future

At the time these financial statements were prepared and audited, the Township was not aware of any areas that could have a major impact on the 2005-2006 fiscal year and subsequent years.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, contact in writing the Business Office, Gore Township, Pochert Road, Port Hope, MI 48468.

Gore Township
Statement of Net Assets
March 31, 2006

Assets

Current Assets		
Cash and Investments	$	46,732.83
Taxes and Accounts Receivable		2,199.61
Total Current Assets		48,932.44
Property and Equipment		
Land		10.00
Building		16,000.00
Furniture and Equipment		500.00
Less Accumulated Depreciation		(16,500.00)
Net Property and Equipment		10.00
Total Assets	$	48,942.44

Liabilities and Net Assets

Current Liabilities

Long - Term Liabilities

Net Assets		
Invested in capital assets net of related debt		10.00
Unrestricted		48,932.44
Total Net Assets	$	48,942.44

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

Gore Township
Statement Of Activities
For the Year Ended March 31, 2006

	Governmental Activites			
		Program Revenues		
Functions/Programs	Program Expenses	Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities				
General Government	$ 12,704.48	$ 0.00	$ 0.00	$ (12,704.48)
Public Safety	1,117.00	0.00	0.00	(1,117.00)
Public Works	15,589.00	0.00	0.00	(15,589.00)
Sanitation	22,349.39	21,267.65	0.00	(1,081.74)
Other	17,265.57	0.00	0.00	(17,265.57)
Total Governmental Activities	$ 69,025.44	$ 21,267.65	$ 0.00	(47,757.79)
General Revenues				
Property Taxes General				17,772.01
State Revenue Sharing				9,352.00
Investment Earnings				1,019.48
Other				2,141.15
Total General Revenues				30,284.64
Change in Net Assets (Deficit)				(17,473.15)
Net Assets Beginning of Year				66,415.59
Net Assets End of Year				$ 48,942.44

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

Gore Township

Combined Balance Sheet
All Fund Types and Account Groups
March 31, 2006

	Governmental Fund Types	Fiduciary Fund Type	Total
	General	Agency Fund	(Memorandum Only)
Assets			
Cash and Investments	$ 46,732.83	$ 0.00	$ 46,732.83
Taxes Receivable	2,199.61	0.00	2,199.61
Total Assets	$ 48,932.44	$ 0.00	$ 48,932.44
Liabilities and Fund Equity			
Liabilities			
Fund Equity			
Unreserved	48,932.44	0.00	48,932.44
Total Fund Equity	48,932.44	0.00	48,932.44
Total Liabilities and Fund Equity	$ 48,932.44	$ 0.00	$ 48,932.44

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

Gore Township

Combined Statement of Revenue, Expenditures and Change in Fund Balance - All Governmental Fund Types

For the Year Ended March 31, 2006

	Governmental Fund Types	
	General	Total Memorandum Only
Revenues		
Property Taxes	$ 17,772.01	$ 17,772.01
State Revenue Sharing	9,352.00	9,352.00
Garbage Collections	21,267.65	21,267.65
Interest	1,019.48	1,019.48
Miscellaneous	2,141.15	2,141.15
Total Revenues	51,552.29	51,552.29
Expenditures		
General Government	12,704.48	12,704.48
Public Safety	1,117.00	1,117.00
Public Works	15,589.00	15,589.00
Other	39,614.96	39,614.96
Total Expenditures	69,025.44	69,025.44
Excess of Revenues over Expenditures	(17,473.15)	(17,473.15)
Other Financing Sources (Uses)		
Operating Transfers in	0.00	0.00
Operating Transfers out	0.00	0.00
Total Other Financing Sources (Uses)	0.00	0.00
Excess of Revenues and Other Sources Over(Under)Expenditures and Other Uses	(17,473.15)	(17,473.15)
Fund Balance at Beginning of Year	66,405.59	66,405.59
Fund Balance at End of Year	$ 48,932.44	$ 48,932.44

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

Gore Township

Reconciliation of Fund Balances of Government Funds to Net Assets of Government Activities

For the Year Ended March 31, 2006

Fund Balances Total Governmental Funds	$ 48,932.44
Amounts reported for governmental activities in the statement of activities are different because	
Capital assets used in governmental activities are not financial resources expenditures in the year incurred and are not reported in the funds	
Land	16,510.00
Less Accumulated Depreciation	(16,500.00)
Debt is not recorded in governmental funds until it is paid	
Notes Payable End of Year	0.00
Net Assets of Governmental Activities	$ 48,942.44

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

Gore Township

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended March 31, 2006

Net Change in Fund Balances Total Governmental Funds	$ (17,473.15)
Amounts reported for governmental activities in the statement of activities are different because	
Governmental funds report capital outlays as expenditures in the year incurred and depreciation is recored for assets in the statement of activities	
Capital Outlay	0.00
Accrued Interest on long-term debt is recorded in the statement of activities when incurred it is not recorded in governmental funds until it is paid	
Accrued Interest Payable Beginning of Year	0.00
Accrued Interest Payable End of Year	0.00
Other	0.00
Proceeds and repayments of principal on long-term debt are revenues and expenditures in the government funds, but not in the statement of activities	
Proceeds from new Debt	0.00
Change in Net Assets of Governmental Activities	$ (17,473.15)

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

Note 1 - Summary of Significant Accounting Policies:

The accounting policies of the Local Governmental Unit 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 the Local Governmental Unit:

A. Reporting Entity

The Local Governmental Unit is governed by an elected council (Board). The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non fiduciary activities of the primary government and its component units. For the most part, the effect of inter fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. The acquisition, use and balances of the government's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The Government reports the following major governmental fund:

The general fund is the Government's primary operating fund. It accounts for all financial resources of the Government, except those required to be accounted for in another fund.

Other Non-Major Funds

The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The Government accounts for its major and local street activities in the special revenue funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and 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 recognized as revenue in the year for which they are levied. Grants and similar items are recognizes as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter fund activity has been eliminated from the district-wide financial statements.

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. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

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, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Property taxes, intergovernmental grants, 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.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities

Proprietary funds distinguish operating revenue and expenses from non operating items. Operating revenue and expenses generally result from providing services and producing and delivering foods in connection with and proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer fund also recognizes the portion of tap fees intended to recover current cost (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as non operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non operating revenue and expenses.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments

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

Receivables and Payable's

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." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect cost applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at the county being held for the construction or debt service of the Local Unit of Government's water and sewer lines.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than $1,000 and an estimated useful life in excess of two years. 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.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, $xxx of interest expense was capitalized as part of the cost of assets under construction.

Property, plant and equipment is depreciated using the straight-line method over its' estimated useful life.

Compensated Absences (Vacation and Sick Leave)

It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

Long-Term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

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 total data for the prior year has not been presented in the fund financial statements.

Note 2 - Stewardship, Compliance, and Accountability:

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and State law for all Government Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Government to have its budget in place by the beginning of its fiscal year. Expenditures in excess of amounts budgeted are a violation of Michigan law. Sate law permits governments to amend their budgets during the year. During the year, the budget was amended in a permissible manner. There were no significant amendments during the year.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the Government incurred expenditures in certain budgeted funds which were in excess of the amounts budgeted, as shown in the statements of Actual vs Budget.

Note 3 - Deposits and Investments:

Deposits

The Government's cash accounts consist of various interest bearing checking and savings accounts. At year-end, the carrying amount of the Government's deposits was $404.79 and the bank balance was $404.79.

Investments

State statutes authorize the Government to invest in obligations of the U.S. Treasury and U.S. agencies, deposit agreements with federally insured financial institutions within the State of Michigan, high grade commercial paper, repurchased obligations of the U.S. government and U.S. agencies, banker's acceptances of U.S. banks and mutual funds comprises of the above authorized investments. As of March 31, 2006, the Government investments consisted of certificates of deposit and Money Market Funds which the carrying amount and the bank balance was $46,328.04.

The total Government cash and investments amounted to $46,732.83 as of March 31, 2006 and $46,732.83 was covered by Federal Depository Insurance.

Note 4 - Receivables:

Receivables as of year end for the governments individual major funds and the other non major funds in the aggregate are shown in the respective statements.

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

Note 5 - Employee Retirement and Benefits Systems:

The Township does not provide Employee Retirement and Benefits.

Note 6 - Contingent Liabilities:

Contingent Liability - Unemployment Compensation Costs

The Government has elected to be treated as a reimbursing employer for unemployment compensation purposes. Any unemployment benefits paid to Government employees by the Michigan unemployment fund must be reimbursed by the Government on a dollar for dollar basis. The contingent liability for unemployment benifits is not recognized in the accompanying financial statements. The expense is recognized at the time the Government becomes liable to the State of Michigan for unemployment benefits paid.

Required Supplemental Information

Gore Township
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2006

	General Fund				
			Variance Original Compared to Final		Variance Actual Compared to Final
	Original Budget	Final Budget	Increase (Decrease)	Actual	Favorable (Unfavorable)
Revenues					
Taxes-Current	$ 41,700.00	$ 41,700.00	$ 0.00	$ 17,772.01	$ (23,927.99)
State Sources	10,000.00	10,000.00	0.00	9,352.00	(648.00)
Garbage Collections	26,000.00	26,000.00	0.00	21,267.65	(4,732.35)
Other	240.00	240.00	0.00	2,141.15	1,901.15
Interest	200.00	200.00	0.00	1,019.48	819.48
Total Revenues	78,140.00	78,140.00	0.00	51,552.29	(26,587.71)
Expenditures					
General Government	13,798.00	13,798.00	0.00	12,704.48	1,093.52
Public Safety	5,020.00	5,020.00	0.00	1,117.00	3,903.00
Public Works	16,000.00	16,000.00	0.00	15,589.00	411.00
Other	36,150.00	36,150.00	0.00	39,614.96	(3,464.96)
Total Expenditures	70,968.00	70,968.00	0.00	69,025.44	1,942.56
Excess of Revenues over Expenditures	7,172.00	7,172.00	0.00	(17,473.15)	(24,645.15)
Other Financing Sources (Uses)					
Operating Transfers in	0.00	0.00	$ 0.00	0.00	0.00
Operating Transfers out	0.00	0.00	$ 0.00	0.00	0.00
Excess of Revenues and Other Sources Over(Under)Expenditures and Other Uses	$ 7,172.00	$ 7,172.00	0.00	(17,473.15)	$ (24,645.15)
Fund Balance at Beginning of Year				66,405.59	
Fund Balance at End of Year				$ 48,932.44	

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

Additional Supplemental Information

Gore Township

General Fund

Schedule of Revenues

For the Year Ended March 31, 2006

	Actual	Budget	Variance Favorable (Unfavorable
Revenues			
Current Tax Levy	$ 11,773.54	$ 13,000.00	$ (1,226.46)
Fire Protection	5,998.47	5,700.00	298.47
Road Tax Levy	0.00	23,000.00	(23,000.00)
Sales Tax	9,352.00	10,000.00	(648.00)
Trash Pickup	21,267.65	26,000.00	(4,732.35)
Miscellaneous	2,141.15	240.00	1,901.15
Interest Income	1,019.48	200.00	819.48
Total Revenues	$ 51,552.29	$ 78,140.00	(26,587.71)

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

Gore Township General Fund

General Fund
Schedule of Expenditures
For the Year Ended March 31, 2006

	Actual	Budget	Variance Favorable (Unfavorable)
General Government			
Township Board Salary	$ 12,083.33	$ 13,298.00	$ 1,214.67
Board of Review	621.15	500.00	(121.15)
Total General Government	$ 12,704.48	$ 13,798.00	1,093.52
Public Safety			
Ambulance Service	$ 417.00	$ 420.00	$ 3.00
Fire Department	700.00	4,600.00	3,900.00
Total Public Safety	$ 1,117.00	$ 5,020.00	3,903.00
Public Works			
Highways and Streets	$ 15,589.00	$ 16,000.00	$ 411.00
Total Public Works	$ 15,589.00	$ 16,000.00	411.00
Other			
Taxes - Social Security	$ 971.89	$ 1,300.00	$ 328.11
Office Supplies	1,260.16	1,300.00	39.84
Printing and Publishing	123.45	0.00	(123.45)
Professional Fees	500.00	1,000.00	500.00
Insurance	2,728.00	1,000.00	(1,728.00)
Miscellaneous	3,608.77	3,750.00	141.23
Utilities	7,338.30	2,880.00	(4,458.30)
Travel and Conferences	735.00	900.00	165.00
Garbage Collections Expense	22,349.39	24,020.00	1,670.61
Total Other	$ 39,614.96	$ 36,150.00	(3,464.96)
Capital Outlay			
Total Expenditures	$ 69,025.44	$ 70,968.00	$ 1,942.56

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

Gore Township

Agency Fund
Statement of Changes in Assets and Liabilities
March 31, 2006

Tax Collection Fund

	Balance Beginning of Year	Additons	Deductions	Balance End of Year
Assets				
Cash	$ 0.00	300,398.24	300,398.24	$ 0.00
Liabilities				
Due to General Fund	$ 0.00	$ 35,674.79	$ 35,674.79	$ 0.00
Due to County	0.00	54,787.87	54,787.87	0.00
Due to Schools	0.00	209,935.58	209,935.58	0.00
	$ 0.00	$ 300,398.24	$ 300,398.24	$ 0.00

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

George Zahul, CPA, PC
101 N Port Crescent St
Bad Axe, MI 48413

September 14, 2006

To the Township Board
Gore Township
Port Hope, MI 48468

The following comments related to situations that came to my attention during the course of my recent examination of the Gore Township's financial statements as of and for the year ended March 31, 2006, and are submitted for your evaluation and consideration. I would like to emphasize that, since my examination was conducted for the purpose of expressing an opinion on the previously referred to financial statements, these comments are not necessarily all inclusive.

1. The Township over-expended in the General Fund in comparison to the budget. This excess of expenditure over budget amount is in violation of P.A. 621. The Board should avoid such violations by periodically reviewing actual expenditures and revenues as compared to budget amounts.

2. Ideal internal control provides for separation of the accounting function from the actual handling of funds. There should be a separation of the recording function in the books and records and the actual handling of funds including deposits and disbursements. Due to the limited staff size, a lack of complete separation of accounting duties was noted. The cost exceeds the benefit of correcting this weakness, thus management has deemed that a corrective action is not practicable under the circumstances.

If you would need assistance in implementing the above, I would by happy to assist you.

I want to take this opportunity to thank the Board for selecting me to do your audit, and I want to thank the Township Officials for their help and assistance during the audit.

Very truly yours,

George A Zahul, CPA, PC

George A. Zahul, CPA, PC