TOWNSHIP OF WORTH
Sanilac County, Michigan

FINANCIAL REPORT WITH SUPPLEMENTARY INFORMATION

Year Ended March 31, 2006

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 Worth	Sanilac

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
March 31, 2006	September 15, 2006	September 15, 2006

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.

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 WORTH
Sanilac County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

September 15, 2006

To the Township Board
Township of Worth
Sanilac County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Worth, Sanilac County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Worth's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents 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. We 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.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF WORTH
Sanilac County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2006

FINANCIAL HIGHLIGHTS

Worth Township's financial status remained stable over the last year. On March 31, 2006, net assets for governmental activities totaled $3,892,918.17. Overall total capital assets remained approximately the same.

Overall revenues were $1,516,777.16 from governmental activities. Governmental activities had a $50,479.34 decrease in net assets.

Worth Township did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General, Liquor Enforcement, Public Improvement, Building Department, Street Lighting, Trash Collection, Debt Service and Capital Projects Funds.

TOWNSHIP OF WORTH
Sanilac County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2006

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

> Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund, Liquor Enforcement, Public Improvement Building Department, Street Lighting, Trash Collection, Debt Service and Capital Projects Funds.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains strong.

The LWTUA Water System Bonds, Series 1998 and due to be expired in 2018 incurred current year principal payments of $30,870.00.

The LWTUA Water System Improvement Project series 2000a and due to be expired in 2020 incurred current year principal payments of $475,000.00.

The Capital Improvement Bond for the Township Hall established in 2002 and due to be expired in 2017 incurred current year principal payments of $20,000.00.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services with total expenditures of $447,071.07.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested $16,608.39 in capital assets.

The Township's governmental activities paid $525,870.00 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Supervisor, Clerk, or Treasurer at P.O. Box 248, Lexington, Michigan 48450, or by calling (810)359-8852 during the hours of 9:00 a.m. and 4:00 p.m. Monday through Thursday.

TOWNSHIP OF WORTH
Sanilac County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2006

	Governmental Activities
ASSETS:	
CURRENT ASSETS:	
Cash in bank	3 546 084 27
Investments	24 416 30
Taxes receivable	18 074 79
Accounts receivable	18 552 50
Special assessments receivable	4 858 610 89
Total Current Assets	8 465 738 75
NON-CURRENT ASSETS:	
Capital Assets	10 612 869 38
Less: Accumulated Depreciation	(2 294 519 68)
Total Non-current Assets	8 318 349 70
TOTAL ASSETS	16 784 088 45
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Deferred revenue	4 757 080 28
Total Current Liabilities	4 757 080 28
NON-CURRENT LIABILITIES:	
Bonds payable	300 000 00
Contracts payable	7 834 090 00
Total Non-current Liabilities	8 134 090 00
Total Liabilities	12 891 170 28
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	184 259 70
Restricted for debt service	2 991 114 96
Unrestricted	717 543 51
Total Net Assets	3 892 918 17
TOTAL LIABILITIES AND NET ASSETS	16 784 088 45

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

TOWNSHIP OF WORTH
Sanilac County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2006

FUNCTIONS/PROGRAMS	Expenses	Program Revenue Charges for Services	Governmental Activities Net (Expense) Revenue and Changes in Net Assets
Governmental Activities:			
Legislative	59 421 21	-	(59 421 21)
General government	152 714 14	105 372 15	(47 341 99)
Public safety	208 351 69	50 051 00	(158 300 69)
Public works	671 752 20	68 484 66	(603 267 54)
Interest on long-term debt	475 017 26	850 647 92	375 630 66
Total Governmental Activities	1 567 256 50	1 074 555 73	(492 700 77)
General Revenues:			
Property taxes			96 489 12
State revenue sharing			277 063 38
Interest			67 230 96
Miscellaneous			1 437 97
Total General Revenues			442 221 43
Change in net assets			(50 479 34)
Net assets, beginning of year			3 943 397 51
Net Assets, End of Year			3 892 918 17

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

TOWNSHIP OF WORTH
Sanilac County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2006

	General	Water #2 Debt Service	Other Funds	Total
Assets				
Cash in bank	250 206 81	2 855 790 85	433 599 69	3 539 597 35
Investments	-	24 416 30	-	24 416 30
Taxes receivable	18 074 79	-	-	18 074 79
Accounts receivable	18 552 50	-	-	18 552 50
Special assessments receivable	-	4 580 167 13	278 443 76	4 858 610 89
Due from other funds	1 950 21	3 711 84	30 833 95	36 496 00
Total Assets	288 784 31	7 464 086 12	742 877 40	8 495 747 83
Liabilities and Fund Equity				
Liabilities:				
Due to other funds	-	-	30 009 08	30 009 08
Deferred revenue	-	4 484 700 29	272 379 99	4 757 080 28
Total liabilities	-	4 484 700 29	302 389 07	4 787 089 36
Fund equity:				
Fund balances:				
Reserved	-	2 979 385 83	11 729 13	2 991 114 96
Unreserved:				
Undesignated	288 784 31	-	428 759 20	717 543 51
Total fund equity	288 784 31	2 979 385 83	440 488 33	3 708 658 47
Total Liabilities and Fund Equity	288 784 31	7 464 086 12	742 877 40	8 495 747 83

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

TOWNSHIP OF WORTH
Sanilac County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2006

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	3 708 658 47
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	10 612 869 39
Accumulated depreciation	(2 294 519 69)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Bonds payable	(300 000 00)
Contracts payable	(7 834 090 00)
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	3 892 918 17

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

TOWNSHIP OF WORTH
Sanilac County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
Year ended March 31, 2006

	General	Water #2 Debt Service	Other Funds	Total
Revenues:				
Property taxes	96 489 12	-	-	96 489 12
Licenses and permits	16 890 05	-	50 051 00	66 941 05
State revenue sharing	271 572 00	-	5 491 38	277 063 38
Charges for services – PTAF	50 114 47	-	-	50 114 47
Charges for services – other	38 367 63	-	-	38 367 63
Interest	9 364 45	50 569 64	7 296 87	67 230 96
Special assessments	18 257 06	826 958 50	73 917 02	919 132 58
Miscellaneous	1 437 97	-	-	1 437 97
Total revenues	502 492 75	877 528 14	136 756 27	1 516 777 16
Expenditures:				
Legislative:				
Township Board	59 421 21	-	-	59 421 21
General government:				
Supervisor	13 078 45	-	-	13 078 45
Elections	1 807 42	-	-	1 807 42
Assessor	31 400 03	-	-	31 400 03
Clerk	22 825 13	-	-	22 825 13
Board of Review	1 379 48	-	-	1 379 48
Treasurer	29 794 57	-	-	29 794 57
Building and grounds	18 173 37	-	-	18 173 37
Public safety:				
Law enforcement	48 428 40	-	-	48 428 40
Fire protection	53 128 69	-	-	53 128 69
Protective inspection	-	-	50 143 74	50 143 74
Planning and zoning	28 310 61	-	-	28 310 61
Ambulance	28 340 25	-	-	28 340 25
Public works:				
Highways and streets	77 531 58	-	18 883 33	96 414 91
Street lights	11 553 19	-	9 183 96	20 737 15
Sanitation	-	-	15 930 00	15 930 00
Weed control	13 516 44	-	-	13 516 44
Watershed	-	-	3 714 74	3 714 74
Sewer	-	-	18 998 96	18 998 96
Capital outlay	8 382 25	-	8 226 14	16 608 39
Debt service	-	906 128 19	94 759 07	1 000 887 26
Total expenditures	447 071 07	906 128 19	219 839 94	1 573 039 20
Excess (deficiency) of revenues over expenditures	55 421 68	(28 600 05)	(83 083 67)	(56 262 04)
Other financing sources (uses):				
Operating transfers in	-	-	63 683 27	63 683 27
Operating transfers out	(36 275 00)	-	(27 408 27)	(63 683 27)
Total other financing sources (uses)	(36 275 00)	-	36 275 00	-

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

TOWNSHIP OF WORTH
Sanilac County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
Year ended March 31, 2006

	General	Water #2 Debt Service	Other Funds	Total
Excess (deficiency) of revenues and other sources over expenditures and other uses	19 146 68	(28 600 05)	(46 808 67)	(56 262 04)
Fund balances, April 1	269 637 63	3 007 985 88	487 297 00	3 764 920 51
Fund Balances, March 31	288 784 31	2 979 385 83	440 488 33	3 708 658 47

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

TOWNSHIP OF WORTH
Sanilac County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2006

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	(56 262 04)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation	
Depreciation Expense	(536 695 69)
Capital Outlay	16 608 39
Repayment of debt principal is an expenditure in the governmental funds, the repayment does not have an effect in the statement of activities but does reduce the debt balance in the statement of net assets.	
Principal payments on long-term debt	525 870 00
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	(50 479 34)

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

Note 1 – Summary of Significant Accounting Policies

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

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Worth. 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.

Joint Venture

The Townships of Lexington and Worth jointly formed the Lexington – Worth Township's Utilities Authority on April 3, 1997, to provide water services for the two entities. The joint venture of the Township is not considered a part of the reporting entity of the Township. The Authority is separately audited by other auditors. Separate financial statements of the joint venture should be obtained directly from the Authority at 7227 Huron Avenue in Lexington, Michigan.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (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. For the most part, the effect of interfund 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. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

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. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

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, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Governmental Funds

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.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Capital Projects Funds

These funds are used to account for acquisition or construction of major capital facilities other than those financed by proprietary fund expenditures.

Debt Service Funds

These funds are used to record the funding of principal and interest on long-term debt.

Fiduciary Funds

The Current Tax Collection and Agency Funds are used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

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.

Note 1 – Summary of Significant Accounting Policies (continued)

Inventories

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

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 2005 tax roll millage rate was .6678 mills, and the taxable value was $151,914,636.00.

Encumbrances

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

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than $150.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	20 years
Equipment	2-10 years
Water System	20 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

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.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these 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.

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

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

Note 3 – 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 four 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.

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

	Carrying Amounts
Total Deposits	3 562 888 59

Note 3 – Deposits and Investments (continued)

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

	Bank Balances
Insured (FDIC)	500 000 00
Uninsured and Uncollateralized	3 520 970 35
Total Deposits	4 020 970 35

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:

Investment Type	(1)	(2)	(3)	Carrying Amount
Risk-Categorized:				
Operating Funds	-	-	-	-
Total Risk-Categorized Investments	-	-	-	-
Nonrisk-Categorized:				
Financial Institution Pooled Funds				24 416 30
Total Investments				24 416 30

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 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/05	Additions	Deletions	Balance 3/31/06
Governmental Activities:				
Land	500 00	-	-	500 00
Buildings	585 000 00	-	-	585 000 00
Equipment	79 181 00	16 608 39	-	95 789 39
Water system	9 931 580 00	-	-	9 931 580 00
Total	10 596 261 00	16 608 39	-	10 612 869 39
Accumulated Depreciation	(1 757 824 00)	(536 695 69)	-	(2 294 519 69)
Net Capital Assets	8 838 437 00	(520 087 30)	-	8 318 349 70

Note 5 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General	1 950 21	Current Tax Collection	1 950 21
Great Lakes Shores	824 87	Current Tax Collection	824 87
Water #2 Debt Services	3 711 84	Current Tax Collection	3 711 84
Water #1 Construction	30 009 08	Water #1 Debt Service	30 009 08
Total	36 496 00	Total	36 496 00

Note 6 – Building Permits

As of March 31, 2006, the Township had building permit revenues of $50,051.00 and building permit expenses of $50,143.74.

Note 7 – Changes in Long-Term Debt

The following is a summary of changes in long-term debt:

	Balance 4/1/05	Additions	Deductions	Balance 3/31/06
Hall bonds payable – 2002	320 000 00	-	20 000 00	300 000 00
Contract payable – 2001	800 000 00	-	50 000 00	750 000 00
Contract payable – 2000	6 950 000 00	-	425 000 00	6 525 000 00
Contract payable – 1998	589 960 00	-	30 870 00	559 090 00
Total	8 659 960 00	-	525 870 00	8 134 090 00

Note 8 – Hall Bonds Payable – 2002

On August 29, 2002, the Township of Worth sold its bonds in the amount of $350,000.00 to fund the construction of the new Township Hall. As of March 31, 2006, the outstanding principal balance on the bonds were $300,000.00.

Due Date	Principal Amount
6-1-06	20 000 00
6-1-07	20 000 00
6-1-08	20 000 00
6-1-09	20 000 00
6-1-10	25 000 00
6-1-11	25 000 00
6-1-12	25 000 00
6-1-13	25 000 00
6-1-14	30 000 00
6-1-15	30 000 00
6-1-16	30 000 00
6-1-17	30 000 00
Total	300 000 00

Note 9 – Contract Payable - 2001

On December 1, 2001, the County of Sanilac sold its bonds in the amount of $950,000.00 to fund the Sanilac County Water System Improvement Project Phase II Series 2001. The Township of Worth has agreed to pay amounts to the County to cover the bond principal and interest payments as they come due. The Township has pledged its full faith and credit to secure the payments to the County. As of March 31, 2006, the outstanding principal balance on the contract payable was $750,000.00.

Due Date	Principal Amount
5-1-06	50 000 00
5-1-07	50 000 00
5-1-08	50 000 00
5-1-09	50 000 00
5-1-10	50 000 00
5-1-11	50 000 00
5-1-12	50 000 00
5-1-13	50 000 00
5-1-14	50 000 00
5-1-15	50 000 00
5-1-16	50 000 00
5-1-17	50 000 00
5-1-18	50 000 00
5-1-19	50 000 00
5-1-20	50 000 00
Total	750 000 00

Note 10 – Contract Payable – 2000

On June 1, 2000, the County of Sanilac sold its bonds in the amount of $8,225,000.00 to fund the Sanilac County Water System Improvement Project Phase II Series 2000. The Township of Worth has agreed to pay amounts to the County to cover the bond principal and interest payments as they come due. The Township has pledged its full faith and credit to secure the payments to the County. As of March 31, 2006, the outstanding principal balance on the contract payable was $6,525,000.00.

Due Date	Principal Amount
5-1-06	425 000 00
5-1-07	425 000 00
5-1-08	425 000 00
5-1-09	425 000 00
5-1-10	425 000 00
5-1-11	425 000 00
5-1-12	425 000 00
5-1-13	425 000 00
5-1-14	425 000 00
5-1-15	450 000 00
5-1-16	450 000 00
5-1-17	450 000 00
5-1-18	450 000 00
5-1-19	450 000 00
5-1-20	450 000 00
Total	6 525 000 00

Note 11 – Contract Payable – 1998

On December 9, 1998, the County of Sanilac sold its bonds in the amount of $1,030,000.00, to fund the Sanilac County Water System Improvement Project. The Township of Worth is responsible for 68.6% of the project which amounted to $706,580.00 and the Township of Lexington is responsible for 31.4% of the project, which amounted to $323,420.00. The Townships have agreed to pay amounts to the County to cover the bond principal and interest payments as they come due. The Townships have pledged their full faith and credit to secure the payments to the County. As of March 31, 2006, Worth Township's outstanding principal balance on the contract payable was $559,090.00.

Note 11 – Contract Payable – 1998 (continued)

Due Date	Principal Amount
5-1-05	30 870 00
5-1-06	30 870 00
5-1-07	34 300 00
5-1-08	34 300 00
5-1-09	37 730 00
5-1-10	41 160 00
5-1-11	41 160 00
5-1-12	44 590 00
5-1-13	44 590 00
5-1-14	48 020 00
5-1-15	48 020 00
5-1-16	51 450 00
5-1-17	51 450 00
5-1-18	51 450 00
Total	589 960 00

Note 12 – Pension Plan

The Township does not have a pension plan.

Note 13 – Deferred Compensation Plan

The Township has a deferred compensation plan. All Township employees are covered under the plan except for the Assessor. Deferred compensation expense for the year ended March 31, 2006, was $400.00.

Note 14 – 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 15 – Operating Transfers

The amounts of interfund transfers are as follows:

Fund	Transfers In	Fund	Transfers Out
Water #1 Debt Service	27 408 27	Water #1 Construction	27 408 27
Hall Bond Debt Service	36 275 00	General	36 275 00
Total	63 683 27	Total	63 683 27

TOWNSHIP OF WORTH
Sanilac County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	92 000 00	92 000 00	96 489 12	4 489 12
Licenses and permits	16 150 00	16 150 00	16 890 05	740 05
State revenue sharing	283 433 00	283 433 00	271 572 00	(11 861 00)
Charges for services – PTAF	46 858 00	46 858 00	50 114 47	3 256 47
Charges for services – other	35 000 00	35 000 00	38 367 63	3 367 63
Interest	4 000 00	4 000 00	9 364 45	5 364 45
Special assessments	17 500 00	17 500 00	18 257 06	757 06
Miscellaneous	4 125 00	4 125 00	1 437 97	(2 687 03)
Total revenues	499 066 00	499 066 00	502 492 75	3 426 75
Expenditures:				
Legislative:				
Township Board	62 916 00	62 916 00	59 421 21	(3 494 79)
General government:				
Supervisor	13 300 00	13 300 00	13 078 45	(221 55)
Elections	5 000 00	5 000 00	1 807 42	(3 192 58)
Assessor	45 850 00	45 850 00	31 400 03	(14 449 97)
Clerk	23 634 00	23 634 00	22 825 13	(808 87)
Board of Review	3 200 00	3 200 00	1 379 48	(1 820 52)
Treasurer	30 500 00	30 500 00	29 794 57	(705 43)
Building and grounds	22 650 00	22 650 00	18 173 37	(4 476 63)
Cemetery	300 00	300 00	-	(300 00)
Public safety:				
Law enforcement	49 000 00	49 000 00	48 428 40	(571 60)
Fire protection	55 000 00	55 000 00	53 128 69	(1 871 31)
Planning and zoning	32 250 00	32 250 00	28 310 61	(3 939 39)
Ambulance	28 547 00	28 547 00	28 340 25	(206 75)
Public works:				
Highways and streets	88 000 00	88 000 00	77 531 58	(10 468 42)
Street lights	12 500 00	12 500 00	11 553 19	(946 81)
Weed control	15 000 00	15 000 00	13 516 44	(1 483 56)
Contingency	25 920 00	25 920 00	-	(25 920 00)
Capital outlay	12 500 00	12 500 00	8 382 25	(4 117 75)
Total expenditures	526 067 00	526 067 00	447 071 07	(78 995 93)
Excess (deficiency) of revenues over expenditures	(27 001 00)	(27 001 00)	55 421 68	82 422 68
Other financing sources (uses):				
Operating transfers out	(36 279 00)	(36 279 00)	(36 275 00)	4 00
Total other financing sources (uses)	(36 279 00)	(36 279 00)	(36 275 00)	4 00

TOWNSHIP OF WORTH
Sanilac County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Excess (deficiency) of revenues and other sources over expenditures and other uses	63 280 00	(63 280 00)	19 146 68	82 426 68
Fund balance, April 1	216 438 65	216 438 65	269 637 63	53 198 98
Fund Balance, March 31	153 158 65	153 158 65	288 784 31	135 625 66

TOWNSHIP OF WORTH
Sanilac County, Michigan

BUDGETARY COMPARISON SCHEDULE – WATER #2 DEBT SERVICE FUND
Year ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Interest	36 000 00	36 000 00	50 569 64	14 569 64
Special assessments	696 836 23	696 836 23	826 958 50	130 122 27
Total revenues	732 836 23	732 836 23	877 528 14	144 691 91
Expenditures:				
Debt service	906 178 13	906 178 13	906 128 19	(49 94)
Total expenditures	906 178 13	906 178 13	906 128 19	(49 94)
Excess (deficiency) of revenues over expenditures	(173 341 90)	(173 341 90)	(28 600 05)	144 741 85
Fund balance, April 1	2 553 834 38	2 553 834 38	3 007 985 88	454 151 50
Fund Balance, March 31	2 380 492 48	2 380 492 48	2 979 385 83	598 893 35

TOWNSHIP OF WORTH
Sanilac County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS
March 31, 2006

	Public Improvement	Liquor Law Enforcement	Great Lakes Shores	Birch Beach
Assets				
Cash in bank	126 223 28	1 040 23	17 420 06	3 335 39
Special assessments receivable	-	-	2 021 45	269 62
Due from other funds	-	-	824 87	-
Total Assets	126 223 28	1 040 23	20 266 38	3 605 01
Fund Balances				
Fund balances:				
Unreserved:				
Undesignated	126 223 28	1 040 23	20 266 38	3 605 01
Total Fund Balances	126 223 28	1 040 23	20 266 38	3 605 01

Lexington Heights	Eden Beach	Supervisor's Emigh Road Plat	District #7	Building	Total
2 514 32	591 81	493 67	121 56	27 938 54	179 678 86
457 93	113 08	26 04	43 62	-	2 931 74
-	-	-	-	-	824 87
2 972 25	704 89	519 71	165 18	27 938 54	183 435 47
2 972 25	704 89	519 71	165 18	27 938 54	183 435 47
2 972 25	704 89	519 71	165 18	27 938 54	183 435 47

TOWNSHIP OF WORTH
Sanilac County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS
Year ended March 31, 2006

	Public Improvement	Liquor Law Enforcement	Great Lakes Shores	Birch Beach
Revenues:				
Special assessments	-	-	18 482 76	3 442 84
Licenses and permits	-	-	-	-
State revenue sharing	5 491 38	-	-	-
Interest	3 302 39	6 22	85 23	16 71
Total revenues	8 793 77	6 22	18 567 99	3 459 55
Expenditures:				
Public safety:				
Inspections	-	-	-	-
Public works:				
Highways and streets	18 883 33	-	-	-
Watershed	3 714 74	-	-	-
Sewer	7 550 33	-	-	-
Street lighting	-	-	1 290 04	3 554 99
Sanitation	-	-	15 930 00	-
Capital outlay	8 226 14	-	-	-
Total expenditures	38 374 54	-	17 220 04	3 554 99
Excess (deficiency) of revenues over expenditures	(29 580 77)	6 22	1 347 95	(95 44)
Fund balances, April 1	155 804 05	1 034 01	18 918 43	3 700 45
Fund Balances, March 31	126 223 28	1 040 23	20 266 38	3 605 01

Lexington Heights	Eden Beach	Supervisor's Emigh Road Plat	District #7	Building	Total
2 834 37	684 00	494 76	152 67	-	26 091 40
-	-	-	-	50 051 00	50 051 00
-	-	-	-	-	5 491 38
16 70	3 65	3 28	1 08	386 77	3 822 03
2 851 07	687 65	498 04	153 75	50 437 77	85 455 81
-	-	-	-	50 143 74	50 143 74
-	-	-	-	-	18 883 33
-	-	-	-	-	3 714 74
-	-	-	-	-	7 550 33
2 832 36	718 28	612 12	176 17	-	9 183 96
-	-	-	-	-	15 930 00
-	-	-	-	-	8 226 14
2 832 36	718 28	612 12	176 17	50 143 74	113 632 24
18 71	(30 63)	(114 08)	(22 42)	294 03	(28 176 43)
2 953 54	735 52	633 79	187 60	27 644 51	211 611 90
2 972 25	704 89	519 71	165 18	27 938 54	183 435 47

TOWNSHIP OF WORTH
Sanilac County, Michigan

COMBINING BALANCE SHEET – ALL DEBT SERVICE FUNDS
March 31, 2006

	Hall Bond Debt Service	Water #1 Debt Service	Water #2 Debt Service	Total
Assets				
Cash in bank	-	40 382 56	2 855 790 85	2 896 178 41
Investments	-	-	24 416 30	24 416 30
Special assessments receivable	-	155 364 27	4 580 167 13	4 735 531 40
Due to other funds	-	-	3 711 84	3 711 84
Total Assets	-	195 746 83	7 464 086 12	7 659 832 95
Liabilities and Fund Balances				
Liabilities:				
Due to other funds	-	30 009 08	-	30 009 08
Deferred revenue	-	154 008 62	4 484 700 29	4 638 708 91
Total liabilities	-	184 017 70	4 484 700 29	4 668 717 99
Fund balances:				
Reserved for debt service	-	11 729 13	2 979 385 83	2 991 114 96
Total fund balances	-	11 729 13	2 979 385 88	2 991 114 96
Total Liabilities and Fund Balances	-	195 746 83	7 464 086 12	7 659 832 95

TOWNSHIP OF WORTH
Sanilac County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – ALL DEBT SERVICE FUNDS
Year ended March 31, 2006

	Hall Bond Debt Service	Water #1 Debt Service	Water #2 Debt Service	Total
Revenues:				
Special assessments	-	23 689 42	826 958 50	850 647 92
Interest	-	201 44	50 569 64	50 771 08
Total revenues	-	23 890 86	877 528 14	901 419 00
Expenditures:				
Debt service	36 275 00	58 484 07	906 128 19	1 000 887 26
Total expenditures	36 275 00	58 484 07	906 128 19	1 000 887 26
Excess (deficiency) of revenues over expenditures	(32 275 00)	(34 593 21)	(28 600 05)	(99 468 26)
Other financing sources (uses):				
Operating transfers in	36 275 00	27 408 27	-	63 683 27
Total other financing sources (uses)	36 275 00	27 408 27	-	63 683 27
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	(7 184 94)	(28 600 05)	(35 784 99)
Fund balances, April 1	-	18 914 07	3 007 985 88	3 026 899 95
Fund Balances, March 31	-	11 729 13	2 979 385 83	2 991 114 96

TOWNSHIP OF WORTH
Sanilac County, Michigan

COMBINING BALANCE SHEET – ALL CAPITAL PROJECTS FUNDS
March 31, 2006

	Water #1 Construction	Water #2 Construction	Improvement	Total
Assets				
Cash in bank	126 829 88	78 211 19	8 497 20	213 538 27
Special assessments receivable	102 348 18	17 799 57	-	120 147 75
Due from other funds	30 009 08	-	-	30 009 08
Total Assets	259 187 14	96 010 76	8 497 20	363 695 10
Liabilities and Fund Balances				
Liabilities:				
Deferred revenue	101 482 34	16 889 03	-	118 371 37
Total liabilities	101 482 34	16 889 03	-	118 371 37
Fund balances:				
Undesignated	157 704 80	79 121 73	8 497 20	245 323 73
Total fund balances	157 704 80	79 121 73	8 497 20	245 323 73
Total Liabilities and Fund Balances	259 187 14	96 010 76	8 497 20	363 695 10

TOWNSHIP OF WORTH
Sanilac County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – ALL CAPITAL PROJECTS FUNDS
Year ended March 31, 2006

	Water #1 Construction	Water #2 Construction	Improvement	Total
Revenues:				
Special assessments	13 882 28	10 253 92	-	24 136 20
Interest	2 006 46	1 112 68	154 26	3 273 40
Total revenues	15 888 74	11 366 60	154 26	27 409 60
Expenditures:				
Public works:				
Sewer	-	320 63	11 128 00	11 448 63
Total expenditures	-	320 63	11 128 00	11 448 63
Excess (deficiency) of revenues over expenditures	15 888 74	11 045 97	(10 973 74)	15 960 97
Other financing sources (uses):				
Operating transfers out	(27 408 27)	-	-	(27 408 27)
Total other financing sources (uses)	(27 408 27)	-	-	(27 408 27)
Excess (deficiency) of revenues and other sources over expenditures and other uses	(11 519 53)	11 045 97	(10 973 74)	(11 447 30)
Fund balances, April 1	169 224 33	68 075 76	19 470 94	256 771 03
Fund Balances, March 31	157 704 80	79 121 73	8 497 20	245 323 73

TOWNSHIP OF WORTH
Sanilac County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2006

	Balance 4/1/05	Additions	Deductions	Balance 3/31/06
CURRENT TAX COLLECTION FUND				
Assets				
Cash in Bank	958 42	4 299 913 48	4 279 175 74	21 696 16
Liabilities				
Due to other funds	958 42	764 641 19	759 112 69	6 486 92
Due to others	-	3 535 272 29	3 520 063 05	15 209 24
Total Liabilities	958 42	4 299 913 48	4 279 175 74	21 696 16
AGENCY FUND				
Assets				
Cash in Bank	7 132 00	4 800 00	3 850 00	8 082 00
Liabilities				
Due to Others	7 132 00	4 800 00	3 850 00	8 082 00
TOTALS – ALL AGENCY FUNDS				
Assets				
Cash in Bank	8 090 42	4 304 713 48	4 283 025 74	29 778 16
Liabilities				
Due to other funds	958 42	764 641 19	759 112 69	6 486 92
Due to others	7 132 00	3 540 072 29	3 523 913 05	23 291 24
Total Liabilities	8 090 42	4 304 713 48	4 283 025 74	29 778 16

TOWNSHIP OF WORTH
Sanilac County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2006

Cash in bank – beginning of year	958 42
Cash receipts:	
Property taxes	4 293 051 13
Interest	6 862 35
Total cash receipts	4 299 913 48
Total beginning balance and cash receipts	4 300 871 90
Cash disbursements:	
Township General Fund	153 630 45
Township Special Revenue Funds	22 334 79
Township Water #1 Debt Service Fund	22 333 77
Township Water #2 Debt Service Fund	545 217 72
Township Water #1 Construction Fund	13 016 44
Township Water #2 Construction Fund	2 579 52
Sanilac County	1 820 705 05
Sanilac County Intermediate School District	356 336 21
State of Michigan	8 398 20
Croswell-Lexington School District	1 328 469 56
Refunds	6 154 03
Total cash disbursements	4 279 175 74
Cash in Bank – End of Year	21 696 16

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

September 15, 2006

To the Township Board
Township of Worth
Sanilac County, Michigan

We have audited the financial statements of the Township of Worth for the year ended March 31, 2006. 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 Worth 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.

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."

To the Township Board
Township of Worth
Sanilac County, Michigan

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.

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, 2006.

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