

### Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1918, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name TOWNSHIP OF OVID	County BRANCH
Fiscal Year End 3/31/2007	Opinion Date 6/7/2007	Date Audit Report Submitted to State 6/29/2007	

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.)
- 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.
  - 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.
  - The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - The local unit has adopted a budget for all required funds.
  - A public hearing on the budget was held in accordance with State statute.
  - 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.
  - The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - The local unit only holds deposits/investments that comply with statutory requirements.
  - 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).
  - 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.
  - The local unit is free of repeated comments from previous years.
  - The audit opinion is UNQUALIFIED.
  - The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - The board or council approves all invoices prior to payment as required by charter or statute.
  - 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	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) RUMSEY & WATKINS, P.C.		Telephone Number 517-279-7931	
Street Address 20 TIBBITS PLAZA		City COLDWATER	State Zip MI 49036
Authorizing CPA Signature <i>Timothy J. Taylor</i>		Printed Name TIMOTHY J. TAYLOR	License Number 1101015828

**TOWNSHIP OF OVID  
BRANCH COUNTY, MICHIGAN**

**FINANCIAL STATEMENTS**

**MARCH 31, 2007**

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# **Rumsey & Watkins, P.C.**

**Certified Public Accountants and Business Advisors**

20 Tibbits Plaza \* Coldwater, Michigan 49036

Phone (517) 279-7931 \* Fax (517) 278-7087

## **INDEPENDENT AUDITOR'S REPORT**

**To the Members of the Township Board  
Township of Ovid  
Branch County, Michigan**

**June 7, 2007**

We have audited the accompanying financial statements of each major fund of the Township of Ovid as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion 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 opinions.

The accompanying financial statements do not present government-wide financial statements to display the financial position and changes in the financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Township's governmental activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township of Ovid as of March 31, 2007 or the changes in its financial position for the year then ended.

**To the Members of the Township Board  
Township of Ovid  
Branch County, Michigan**

**June 7, 2007**

The budgetary comparison schedule, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Ovid's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not include a management's discussion and analysis, which would present an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

A handwritten signature in cursive script that reads "Rumsey & Watkins PC".

**RUMSEY & WATKINS, P.C.**

**TOWNSHIP OF OVID**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**MARCH 31, 2007**

	<u><b>General Fund</b></u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 608,795
Investments	105,000
Taxes receivable	12,649
Special assessment receivable	54,060
Due from other funds	<u>4,575</u>
Total assets	<u><u>\$ 785,079</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 11,271
Due to others	120,888
Deferred revenue	<u>51,105</u>
Total liabilities	183,264
 <b>FUND BALANCE</b>	
Undesignated	<u>601,815</u>
Total liabilities and fund balance	<u><u>\$ 785,079</u></u>

**TOWNSHIP OF OVID**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED MARCH 31, 2007**

	<b>General Fund</b>
<b>REVENUES</b>	
Taxes	\$ 103,095
Tax administration fee	50,877
Special assessments	46,740
Licenses and permits	38,618
State shared revenue	165,938
Charges for services	500
Interest earned	22,190
Reimbursements	8,769
Total revenues	436,727
 <b>EXPENDITURES</b>	
General government	153,656
Public safety	91,025
Public works	160,463
Total expenditures	405,144
Excess of revenues over expenditures	31,583
 <b>FUND BALANCE - BEGINNING</b>	 570,232
 <b>FUND BALANCE - ENDING</b>	 \$ 601,815

**TOWNSHIP OF OVID**  
**FIDUCIARY FUND**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**MARCH 31, 2007**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 4,575
<b>LIABILITIES</b>	
Due to other funds	\$ 4,575

See Notes to Financial Statements

**TOWNSHIP OF OVID**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2007**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Township of Ovid conform to generally accepted accounting principles of the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

**REPORTING ENTITY:**

The Township operates under an elected board of five members and provides primarily fire protection and road maintenance and construction to the local residents. The financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. The criteria includes oversight responsibility, scope of public service and special financing relationships. There were no component units considered, under this criteria, to be included in these financial statements.

**FUND FINANCIAL STATEMENTS:**

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

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION:**

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 Township 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, claims and judgments are recorded when payment is due.

The Township reports the following governmental funds:

**General Fund** is the operating fund of the Township. It is used to account for all the Township's financial resources not required to be accounted for in another fund.

## TOWNSHIP OF OVID

### NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED MARCH 31, 2007

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

##### MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: – Continued

Additionally, the Township reports the following fund types:

**Agency Funds** are used to account for assets held in trust or as an agent for others. The Tax Collection fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

##### **ASSETS, LIABILITIES AND NET ASSETS**

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

**Capital Assets** - The Township implemented portions of the new financial model, as required by the provisions of GASB 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments ("GASB 34"). A portion of GASB No. 34 not implemented by the Township is the government-wide financial statements which display the full accrual financial position and changes in financial position of its government activities. Since the Township did not present government-wide financial statements, the governmental activities capital assets are not reported within the Township's financial statements as of March 31, 2007.

**Fund Balance** - 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 a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The Township does not have any reserved or designated fund balances.

**Accounting Change** - In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. The Township has implemented portions of GASB 34.

However, the Township did not present government-wide financial statements to display the financial position and changes in financial position using full accrual accounting for all the Township's activities. These statements would present the Township's governmental activities. In addition, the Township did not include a management's discussion and analysis, which would present an analysis of the financial performance for the year.

## **TOWNSHIP OF OVID**

### **NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED MARCH 31, 2007**

#### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

##### **ASSETS, LIABILITIES AND NET ASSETS – Continued**

###### **Accounting Change – Continued**

Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in the government-wide financial statements for the Township's governmental activities are not reasonably determinable. The Governmental Accounting Standards Board has determined that the management's discussion and analysis is necessary to supplement, although not required to be part of, the basic financial statements.

Because of the effects of the matter discussed in the preceding paragraphs, the Township's financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township of Ovid as of March 31, 2007 or the changes in its financial position for the year ended.

###### **BASIS OF BUDGETING:**

The Township adopted their annual budget based on the modified accrual method of accounting. Expenditures were estimated by functional level. The Township included an estimated beginning fund balance within the approved budget. Once a budget is approved it can be amended at the functional level. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval. Such amendments are reflected in the official minutes of the Board, and are not made after fiscal year end as dictated by law. Revisions to the budget were made during the year.

###### **ENCUMBRANCE ACCOUNTING:**

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances at year end may be reappropriated in the next year. No reservation of fund balance equal to outstanding encumbrances at year end is required.

###### **USE OF ESTIMATES:**

The Township uses estimates and assumptions in the preparation of the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenditures.

**TOWNSHIP OF OVID**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED MARCH 31, 2007**

**NOTE B - DEPOSITS AND INVESMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in 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 which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government of Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involve no more than 50 percent of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The Township has designated financial institutions for the deposit of Township funds and has authorized the investment in certificates of deposit. The accounts maintained are checking, savings and certificates of deposit and are in accordance with statutory authority. The interest rates of the checking and savings accounts are at variable daily rates. The certificates of deposit are currently earning interest rates of 4.22 to 5.15%.

Investments consist of certificate of deposits with an original maturity date of greater than three months. The investments are carried at cost which approximates market value.

Cash and investments, as of March 31, 2007, are classified in the accompanying financial statement as follows:

Governmental Funds	
Cash	\$ 608,795
Investments	<u>105,000</u>
Total Governmental Funds	713,795
Fiduciary Funds	
Cash	<u>4,575</u>
Total cash and investments	<u><u>\$ 718,370</u></u>

## TOWNSHIP OF OVID

### NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED MARCH 31, 2007

#### NOTE B - DEPOSITS AND INVESTMENTS - Continued

**Interest rate risk** – In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in the market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Township's cash requirements.

**Credit risk** – State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). The Township does not allow direct investment in commercial paper or corporate bonds.

**Concentration of credit risk** – The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk for deposits** – In the case of deposits, this is the risk that in the event of a financial institution failure, the Township's deposits may not be recovered. As of March 31, 2007, \$522,077 of the Township's bank balance of \$727,077 was exposed to custodial credit risk because it was uninsured and uncollateralized. Certificates of deposit and money market accounts are included in the above totals.

**Foreign currency risk** – The Township is not authorized to invest in investments which have this type of risk.

#### NOTE C – TAXES RECEIVABLE

The Township is a general law township and levies property taxes on December 1 of each year. They are collected by the Township's treasurer from December 1 to February 28.

Taxes receivable represent real property taxes and administrative fees returned delinquent to the County of Branch. The real property taxes and administrative fees in the amount of \$12,649 will be paid to the Township by the County of Branch in April 2007.

**TOWNSHIP OF OVID**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED MARCH 31, 2007**

**NOTE D – SPECIAL ASSESSMENT RECEIVABLE**

Special assessment districts have been established for road improvements. The General Fund of the Township is financing the construction and assessing the particular residents their cost of the improvements over three and five year periods plus 5% interest on the outstanding balances. In accordance with GASB #6, the special assessments receivable has been recorded in the General Fund. The special assessments receivable, at March 31, 2007, can be summarized as follows:

Delinquent	\$ 2,955
Current	25,227
Deferred	<u>25,878</u>
Total	<u><u>\$ 54,060</u></u>

The current and deferred special assessments receivable will be levied during the year ending March 31, 2008 and subsequent years and, therefore, is recorded as deferred revenue until levied and realizable.

**NOTE E – DUE FROM (TO) OTHER FUNDS**

The due from (to) other funds, at March 31, 2007, for the Township is as follows:

General Fund:	
Due from Tax Collection Fund	<u><u>\$ 4,575</u></u>

**NOTE F – PENSION PLAN**

The Township maintains a defined contribution pension plan for substantially all employees. The plan, known as the Trustees of Ovid Township Pension Plan, is administered by an independent life insurance company. No employee contributions can be made to the plan.

The total covered payroll under the pension plan for 2007 amounted to \$66,218 compared to \$73,840 total 2007 payroll.

The Township is required to make annual contributions to the plan based on 25% of compensation for the year. The required contribution made to the plan for the year ended March 31, 2007 amounted to \$15,341.

## **TOWNSHIP OF OVID**

### **NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED MARCH 31, 2007**

#### **NOTE G – COMMITMENTS**

The Township has entered into an agreement with the Lakeland Volunteer Fire Department to provide fire protection at an annual expense of \$60,000 for the years ending 2008 through 2010.

#### **NOTE H – RISK MANAGEMENT**

The Township of Ovid is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries. The Township participates in two distinct pools of municipalities within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The Township pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subjected to a special assessment to make up the deficiency. Each of the pools maintain reinsurance for claims. The Township has not been informed of any special assessments being required. The Township continues to carry commercial insurance for other risk.

**TOWNSHIP OF OVID**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2007**

	<u>Budgeted Amounts</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>
<b>REVENUES</b>			
Taxes	\$ 95,100	\$ 95,100	\$ 103,095
Tax administration fee	38,000	38,000	50,877
Special assessments	-	-	46,740
Licenses and permits	31,000	31,000	38,618
State shared revenue	160,000	160,000	165,938
Charges for services	1,100	1,100	500
Interest earned	7,000	7,000	22,190
Reimbursements	8,600	8,600	8,769
Other	200	200	-
	<u>341,000</u>	<u>341,000</u>	<u>436,727</u>
Total revenues	341,000	341,000	436,727
<b>EXPENDITURES</b>			
General government			
Township board	61,250	61,250	48,507
Supervisor	16,100	16,100	13,599
Elections	13,300	13,300	7,314
Assessor	27,812	27,812	26,928
Clerk	19,150	19,150	17,346
Board of review	2,050	2,050	1,142
Treasurer	27,050	27,050	26,027
Cemetery	22,500	22,500	12,793
	<u>189,212</u>	<u>189,212</u>	<u>153,656</u>
Total General government	189,212	189,212	153,656
Public safety			
Fire protection	46,000	46,000	46,000
Zoning	36,300	46,300	45,025
	<u>82,300</u>	<u>92,300</u>	<u>91,025</u>
Total Public safety	82,300	92,300	91,025
Public works	<u>139,000</u>	<u>162,000</u>	<u>160,463</u>
Total expenditures	<u>410,512</u>	<u>443,512</u>	<u>405,144</u>
Excess (deficiency) of revenues over expenditures	(69,512)	(102,512)	31,583
<b>FUND BALANCE - BEGINNING</b>	<u>686,521</u>	<u>686,521</u>	<u>570,232</u>
<b>FUND BALANCE - ENDING</b>	<u><u>\$ 617,009</u></u>	<u><u>\$ 584,009</u></u>	<u><u>\$ 601,815</u></u>

**TOWNSHIP OF OVID**  
**OTHER SUPPLEMENTAL INFORMATION**  
**STATEMENT OF EXPENDITURES COMPARED TO BUDGET**  
**GENERAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2007**

	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>GENERAL GOVERNMENT</b>			
Township board	\$ 61,250	\$ 48,507	\$ (12,743)
Supervisor	16,100	13,599	(2,501)
Elections	13,300	7,314	(5,986)
Assessor	27,812	26,928	(884)
Clerk	19,150	17,346	(1,804)
Board of review	2,050	1,142	(908)
Treasurer	27,050	26,027	(1,023)
Cemetery	22,500	12,793	(9,707)
	<hr/>	<hr/>	<hr/>
Total General government expenditures	189,212	153,656	(35,556)
<b>PUBLIC SAFETY</b>			
Fire protection	46,000	46,000	-
Zoning	46,300	45,025	(1,275)
	<hr/>	<hr/>	<hr/>
Total Public safety expenditures	92,300	91,025	(1,275)
<b>PUBLIC WORKS</b>			
	<hr/>	<hr/>	<hr/>
Total expenditures	<u>\$ 443,512</u>	<u>\$ 405,144</u>	<u>\$ (38,368)</u>

# Rumsey & Watkins, P.C.

Certified Public Accountants and Business Advisors  
20 Tibbits Plaza \* Coldwater, Michigan 49036  
Phone (517) 279-7931 \* Fax (517) 278-7087

June 7, 2007

To the Members of the Township Board  
Township of Ovid  
Branch County, Michigan

In planning and performing our audit of the financial statements of each major fund of the Township of Ovid as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Township of Ovid's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe the following deficiencies constitute material weaknesses:

1. The Township does not have control procedures in place or a member of management with sufficient skills to prepare financial statements in accordance with U.S. generally accepted accounting principles.
2. Due to the size of staff the Township lacks adequate segregation of duties.

Township of Ovid  
Branch County, Michigan

June 7, 2007

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

A handwritten signature in cursive script that reads "Rumsey & Watkins P.C.".

RUMSEY & WATKINS, P.C.