

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 <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Unit Name Odessa Township | County Ionia |
| Fiscal Year End 3-31-07 | Opinion Date 6-20-07 | Date Audit Report Submitted to State 8-8-07 | |

We affirm that:

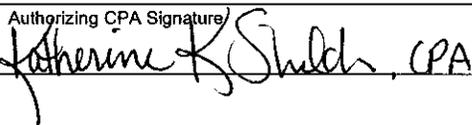
We are certified public accountants licensed to practice in Michigan.

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 | <input checked="" type="checkbox"/> | | |
| The letter of Comments and Recommendations | <input type="checkbox"/> | N/A | |
| Other (Describe) | <input checked="" type="checkbox"/> | SAS 112 Letter | |
| Certified Public Accountant (Firm Name) Walker, Fluke & Sheldon, PLC | | Telephone Number 269-945-9452 | |
| Street Address 525 W Apple St | | City Hastings | State MI |
| Zip 49058 | | License Number 1101023575 | |
| Authorizing CPA Signature  | | Printed Name Katherine K Sheldon, CPA | |

**ODESSA TOWNSHIP
FINANCIAL STATEMENTS**
For the year ended March 31, 2007

TABLE OF CONTENTS

| | |
|--|---------|
| Independent Auditors' Report | 1 |
| Management Discussion and Analysis | 2 - 6 |
| Basic Financial Statements: | |
| Government-Wide Statement of Net Assets | 7 |
| Government-Wide Statement of Activities | 8 |
| Governmental Fund Balance Sheet | 9 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets | 10 |
| Governmental Fund Statement of Revenue, Expenditures, and Changes In Fund Balance | 11 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balance of Governmental Funds to Statement of Activities | 12 |
| Fiduciary Funds Statement of Net Assets | 13 |
| Fiduciary Funds Statement of Changes in Net Assets | 14 |
| Notes to Financial Statements | 15 - 24 |
| Required Supplementary Information: | |
| Budgetary Comparison Schedule - General Fund | 25 - 26 |
| Budgetary Comparison Schedule - Fire Fund | 27 |
| Budgetary Comparison Schedule - Road Fund | 28 |
| Additional Supplementary Information: | |
| Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund | 29 - 33 |



WALKER, FLUKE & SHELDON, PLC

CERTIFIED PUBLIC ACCOUNTANTS

525 W. Apple Street
Hastings, MI 49058
Phone (269) 945-9452
Fax (269) 945-4890

Christopher J. Fluke, C.P.A.
Katherine K. Sheldon, C.P.A.

1971 S. State Road
Ionia, MI 48846
Phone (616) 522-0792
Fax (616) 522-0873

INDEPENDENT AUDITORS' REPORT

To the Township Board
Odessa Township
Ionia County, Michigan

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Odessa Township, Michigan, 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 Odessa Township, Michigan'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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of Odessa Township, Michigan, as of March 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management discussion and analysis and required supplementary information list 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 applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of 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 financial statements that collectively comprise Odessa Township's basic financial statements. The additional supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Odessa Township, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Hastings, Michigan
June 20, 2007

Walker, Fluke & Sheldon, PLC

Odessa Township Management Discussion and Analysis

As the Township Board of Odessa Township, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of Odessa Township for the fiscal year ended March 31, 2007. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Township. We encourage readers to consider this information in conjunction with the letter of transmittal, which begins on page 1, and the financial statements, which begin on page 7.

Financial Highlights

- The assets of Odessa Township exceeded its liabilities at the close of the most recent fiscal year by \$913,608 (net assets) compared to \$837,959 last year. Of this amount, \$317,890 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$75,649 compared to an increase of \$490 last year.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$308,807, a decrease of \$133,504 compared to an ending fund balance of \$442,311 the previous year, an increase of \$22,744.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$190,868, or 62.58% of total general fund expenditures. In 2006, the ending fund balance was \$178,102, or 63.01% of total general fund expenditures. This demonstrates the Township's fiscal discipline and places the Township in a strong financial position to meet unexpected emergencies, uncertainties at the State level or the general slowdown of the economy.

Overview of the Financial Statements

Odessa Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Township's financial position is improving or deteriorating.

The statement of activities presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., state shared revenue).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety and highways and streets.

The government-wide financial statements can be found on pages 7-8 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Odessa Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: government funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for

governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Odessa Township maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Fire Fund, Road Fund and the Debt Service Fund, which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 9-12 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Township's own programs.

The fiduciary fund financial statements can be found on pages 13-14 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 15-24 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The Township adopts an annual budget for its general fund, fire fund, road fund and debt service fund. Within the required supplementary information, a budget comparison statement has been provided for the general and road funds to demonstrate compliance with the budget.

Required supplementary information can be found on pages 25-28 of this report.

Individual fund statements and schedules are presented immediately following the required supplementary information on budgets on pages 29-33.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Odessa Township, assets exceeded liabilities by \$913,608 at the close of the most recent fiscal year compared to \$837,959 last year.

A portion of the Township's net assets (34.80 percent) reflects its unrestricted net assets (\$317,890), which may be used to meet the government's ongoing obligations to citizens and creditors. An additional portion of the Township's net assets (4.68 percent) reflects restricted net assets (\$42,819), which are resources that are subject to external restrictions on how they may be used. The remaining portion of the Township's net assets (60.52 percent) reflects its investment in capital assets (e.g. land, buildings, equipment and furniture and fixtures) (\$552,899). The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Odessa Township's Condensed Financial Data

| | Governmental Activities 03/31/07 | Governmental Activities 03/31/06 |
|--|---|---|
| Current and Other Assets | \$ 383,071 | \$ 506,769 |
| Capital Assets | <u>552,899</u> | <u>374,052</u> |
| Total Assets | <u>935,970</u> | <u>880,821</u> |
| Short-Term Liabilities | 18,362 | 25,862 |
| Long-Term Liabilities | <u>4,000</u> | <u>17,000</u> |
| Total Liabilities | <u>22,362</u> | <u>42,862</u> |
| Net Assets | | |
| Invested in Capital Assets, Net of related debt | 552,899 | 374,052 |
| Restricted | 42,819 | 189,496 |
| Unrestricted | <u>317,890</u> | <u>274,411</u> |
| Total Net Assets | <u>\$ 913,608</u> | <u>\$ 837,959</u> |
| Program Revenues | | |
| Charges for Services | \$ 28,607 | \$ 26,427 |
| Capital Grants and Contributions | 23,376 | - |
| General Revenues | | |
| Property Taxes | 226,282 | 210,281 |
| State Grants | 125,502 | 126,441 |
| Interest and Rents | 13,073 | 12,675 |
| Other Revenue | <u>5,922</u> | <u>5,768</u> |
| Total Revenues | <u>422,762</u> | <u>381,592</u> |
| Program Expenses | | |
| Governmental Activities | | |
| Legislative | 2,464 | 3,386 |
| General Government | 184,338 | 192,206 |
| Public Safety | 75,452 | 57,411 |
| Public Works | 81,592 | 87,816 |
| Other | 20,951 | 20,693 |
| Interest and Fiscal Charges | <u>2,992</u> | <u>2,687</u> |
| Total Expenses | 367,789 | 364,199 |
| Loss from Disposal of Capital Assets | (2,501) | (1,437) |
| Gain (Loss) on Equity Interest in Joint Venture | <u>23,177</u> | <u>(15,466)</u> |
| Change in Net Assets | <u>\$ 75,649</u> | <u>\$ 490</u> |

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental activities.

Governmental activities. Governmental activities increased the Township's net assets by \$75,649, mainly due to a capital grant for voting machines, increases in joint venture and property tax revenue and controlled spending by the Township board.

For the most part, expenses were comparable with prior year. Capital outlay was up significantly due to the purchase of a fire engine. Also, fire service expenditures increased considerably during the fiscal year. This was up due to the fire board increasing its budget due to increased expenses in operating the fire department in the prior year. All other increases in expenses were due to normal inflationary increases.

Financial Analysis of the Township's Funds

As noted earlier, the Township used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a Township's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$308,807 a decrease of \$133,504 from the prior year. Last year, the Township's governmental funds combined ending fund balance was \$442,311, an increase of \$22,744 in comparison with the prior year.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$190,868 and the total fund balance was \$270,170. Unreserved fund balance represents 62.58% of the total general fund expenditures.

The fund balance of the Township's general fund increased \$17,355 during the current fiscal year, compared to an increase of \$8,749 in the prior year. This is mainly due to increases in tax revenue and decreases in general government and legislative expenditures.

The fund balance of the Township's fire fund decreased \$77,447 during the current fiscal year, compared to an increase of \$94,237 in the prior year. This is due to the fact that funds raised through a special millage to purchase a fire truck were used to purchase the fire truck.

The fund balance of the Township's road fund decreased \$60,457 during the current fiscal year, due to the road millage not being renewed, compared to a decrease of \$67,068 in the prior year.

The fund balance of the Township's debt service fund decreased \$12,955 during the current fiscal year, due to debt payments exceeding special assessment collections, compared to a decrease of \$13,174 in the prior year.

General, Fire and Road Funds Budgetary Highlights

The fire and road fund budgets did not change between original and the final budget. Significant differences between the original budget and the final amended general fund budget are summarized below:

- \$3,304 decrease to general government
- \$2,100 decrease to public works
- \$2,550 increase to other
- \$10,200 increase to capital outlay

The decrease to general government was mainly attributable to a \$7,000 decrease to the cemetery budget for normal operating expenses. This decrease was partially offset by a \$4,781 increase in the attorney budget. The capital outlay increase was due to additional purchases approved by the board. All other increases were minor and due to general inflationary increases. During the year, however, revenues exceeded budgetary estimates, and expenditures were less than budgetary estimates for the general fund.

Capital Assets

The Township's investment in capital assets for its governmental activities as of March 31, 2007, amounts to \$552,899 (net of accumulated depreciation). This investment in capital assets includes: land, buildings, improvements, equipment and furniture and fixtures.

Major capital asset events during the current fiscal year included a treasurer's computer, two tractors on the governmental trade-in program, a copier, a township sign, a new fire truck, and four voting machines. Details of the Township's capital assets are continued in the notes to the financial statements on page 22.

Long-Term Debt

At the end of the current fiscal year, the Township had total bonded special assessment debt outstanding of \$22,000 and a fire truck note with an outstanding balance of \$10,000.

The Township's Outstanding Debt

| | Governmental-Type Activities | | Total | |
|--------------------------|---------------------------------|-----------|-----------|-----------|
| | 2007 | 2006 | 2007 | 2006 |
| Primary Government: | | | | |
| Special Assessment Bonds | \$ 12,000 | \$ 39,000 | \$ 12,000 | \$ 39,000 |
| Fire Truck Note | 10,000 | - | 10,000 | - |
| Total | \$ 22,000 | \$ 39,000 | \$ 22,000 | \$ 39,000 |

The Township's debt decreased by \$17,000 (43.60%) during the current fiscal year. The net reduction was attributable to making debt service payments as they came due.

Additional information on the Township long-term debt can be found on pages 20 and 21 of the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Budget assumptions: The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues. State shared revenues are expected to decrease in the 2007-2008 fiscal year. The Township budgeted for a decrease in state-shared revenue. The Township's millage rate will remain the same. The taxable value will increase, thus bringing in more tax revenue. There is a DDA District being formed, which would result in the taxable values of property owners within the district to be capped for 20 years, resulting in less revenue for the township.

Requests for Information

This financial report is designed to provide a general overview of Odessa Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the (Supervisor/Treasurer/Clerk), Odessa Township, 3862 Laurel Rd, PO Box 575, Lake Odessa, MI 48849 616-374-4237.

ODESSA TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2007

| | Primary Government | |
|--|------------------------------------|----------------|
| ASSETS | Governmental Activities | Total |
| Cash and Cash Equivalents | \$ 232,760 | \$ 232,760 |
| Investments | 8,833 | 8,833 |
| Receivables (Net) | | |
| Taxes | 7,984 | 7,984 |
| Other | 306 | 306 |
| Due From State | 19,702 | 19,702 |
| Due From Other Funds | 585 | 585 |
| Restricted Assets | 43,181 | 43,181 |
| Investment in Joint Venture | 69,720 | 69,720 |
| Capital Assets (Net of Accumulated Depreciation) | 552,899 | 552,899 |
| Total Assets | 935,970 | 935,970 |
| LIABILITIES | | |
| Accounts Payable | - | - |
| Other Accrued Liabilities | 362 | 362 |
| Noncurrent Liabilities | | |
| Due Within One Year | 18,000 | 18,000 |
| Due In More Than One Year | 4,000 | 4,000 |
| Total Liabilities | 22,362 | 22,362 |
| NET ASSETS | | |
| Net Assets | | |
| Invested in Capital Assets, Net of Related Debt | 552,899 | 552,899 |
| Restricted for Fire | 16,790 | 16,790 |
| Restricted for Roads | 12,793 | 12,793 |
| Restricted for Special Assessments | 13,236 | 13,236 |
| Unrestricted | 317,890 | 317,890 |
| Total Net Assets | \$ 913,608 | \$ 913,608 |

The Notes to Financial Statements are an integral part of this statement.

ODESSA TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2007

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Net (Expense) Revenue and Changes in Net Assets</u> | |
|--|-------------------|---------------------------------|---|--|-------------------|
| | | <u>Charges for Services</u> | <u>Capital Grants and Contributions</u> | <u>Governmental Activities</u> | <u>Total</u> |
| Primary Government | | | | | |
| Governmental Activities | | | | | |
| Legislative | \$ 2,464 | \$ - | \$ - | \$ (2,464) | \$ (2,464) |
| General Government | 184,338 | 28,607 | 23,376 | (132,355) | (132,355) |
| Public Safety | 75,452 | - | - | (75,452) | (75,452) |
| Public Works | 81,592 | - | - | (81,592) | (81,592) |
| Other | 20,951 | - | - | (20,951) | (20,951) |
| Interest and Fiscal Charges | 2,992 | - | - | (2,992) | (2,992) |
| Total Governmental Activities | <u>367,789</u> | <u>28,607</u> | <u>23,376</u> | <u>(315,806)</u> | <u>(315,806)</u> |
| Total Primary Government | <u>\$ 367,789</u> | <u>\$ 28,607</u> | <u>\$ 23,376</u> | <u>(315,806)</u> | <u>(315,806)</u> |
| General Revenues | | | | | |
| Taxes and Penalties | | | | 226,282 | 226,282 |
| State Grants | | | | 125,502 | 125,502 |
| Interest and Rentals | | | | 13,073 | 13,073 |
| Other Revenue | | | | <u>5,922</u> | <u>5,922</u> |
| Total General Revenue | | | | <u>370,779</u> | <u>370,779</u> |
| Loss from Disposal of Capital Assets | | | | (2,501) | (2,501) |
| Gain on Equity Interest in Joint Venture | | | | <u>23,177</u> | <u>23,177</u> |
| Change in Net Assets | | | | 75,649 | 75,649 |
| Net Assets-Beginning | | | | <u>837,959</u> | <u>837,959</u> |
| Net Assets-Ending | | | | <u>\$ 913,608</u> | <u>\$ 913,608</u> |

The Notes to Financial Statements are an integral part of this statement.

**ODESSA TOWNSHIP
GOVERNMENTAL FUND BALANCE SHEET
March 31, 2007**

| ASSETS | General | Fire Fund | Road Fund | Debt Service Fund | Total Governmental Funds |
|---|--------------------------|-------------------------|-------------------------|----------------------------------|---|
| Cash and Cash Equivalents | \$ 232,760 | \$ 10,091 | \$ 12,793 | \$ 8,477 | \$ 264,121 |
| Investments | 8,833 | - | - | - | 8,833 |
| Receivables | | | | | |
| Taxes | 7,984 | 6,537 | - | - | 14,521 |
| Special Assessments | - | - | - | 5,049 | 5,049 |
| Other | 306 | - | - | 72 | 378 |
| Due From State | 19,702 | - | - | - | 19,702 |
| Due From Other Funds | 585 | 162 | - | - | 747 |
| Total Assets | <u>\$ 270,170</u> | <u>\$ 16,790</u> | <u>\$ 12,793</u> | <u>\$ 13,598</u> | <u>\$ 313,351</u> |
| LIABILITIES AND FUND BALANCE | | | | | |
| Liabilities | | | | | |
| Accounts Payable | \$ - | \$ - | \$ - | \$ - | \$ - |
| Other Accrued Liabilities | - | - | - | 362 | 362 |
| Deferred Revenue | - | - | - | 4,182 | 4,182 |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,544</u> | <u>4,544</u> |
| Fund Balances | | | | | |
| Unreserved-Undesignated | 190,868 | 16,790 | 12,793 | - | 220,451 |
| Reserved | - | - | - | 9,054 | 9,054 |
| Designated | 79,302 | - | - | - | 79,302 |
| Total Fund Balances | <u>270,170</u> | <u>16,790</u> | <u>12,793</u> | <u>9,054</u> | <u>308,807</u> |
| Total Liabilities and Fund Balance | <u>\$ 270,170</u> | <u>\$ 16,790</u> | <u>\$ 12,793</u> | <u>\$ 13,598</u> | <u>\$ 313,351</u> |

The Notes to Financial Statements are an integral part of this statement.

**ODESSA TOWNSHIP
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
March 31, 2007**

| | | |
|---|------------------|--------------------------|
| Governmental Fund Balance - March 31, 2007 | | \$ 308,807 |
| <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds</p> | | |
| Governmental capital assets | \$ 866,392 | |
| Less: Accumulated depreciation | <u>(313,493)</u> | 552,899 |
| <p>Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures</p> | | |
| | | 4,182 |
| <p>Investment in Joint Venture in governmental activities is not a financial resource and therefore is not reported in the governmental funds</p> | | |
| | | 69,720 |
| <p>Long-term liabilities are not due and payable in the current period and are not reported in the funds</p> | | |
| | | <u>(22,000)</u> |
| Net Assets of Governmental Activities | | <u>\$ 913,608</u> |

**ODESSA TOWNSHIP
GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended March 31, 2007**

| | <u>General</u> | <u>Fire Fund</u> | <u>Road Fund</u> | <u>Debt Service Fund</u> | <u>Total Governmental Funds</u> |
|--|-------------------|----------------------|----------------------|----------------------------------|---|
| Revenues | | | | | |
| Taxes and Penalties | \$ 125,072 | \$ 101,109 | \$ 101 | \$ - | \$ 226,282 |
| State Grants | 148,878 | - | - | - | 148,878 |
| Charges for Services | 28,607 | - | - | - | 28,607 |
| Interest and Rentals | 11,015 | 623 | 532 | 903 | 13,073 |
| Other Revenue | <u>5,922</u> | <u>-</u> | <u>-</u> | <u>9,871</u> | <u>15,793</u> |
| Total Revenues | <u>319,494</u> | <u>101,732</u> | <u>633</u> | <u>10,774</u> | <u>432,633</u> |
| Expenditures | | | | | |
| Legislative | 2,464 | - | - | - | 2,464 |
| General Government | 170,854 | - | - | - | 170,854 |
| Public Safety | 45,375 | 2,369 | - | - | 47,744 |
| Public Works | 20,502 | - | 61,090 | - | 81,592 |
| Other | 20,951 | - | - | 257 | 21,208 |
| Capital Outlay | 44,811 | 185,124 | - | - | 229,935 |
| Debt Service | | | | | |
| Principal | - | 90,000 | - | 27,000 | 117,000 |
| Interest | <u>-</u> | <u>1,686</u> | <u>-</u> | <u>1,049</u> | <u>2,735</u> |
| Total Expenditures | <u>304,957</u> | <u>279,179</u> | <u>61,090</u> | <u>28,306</u> | <u>673,532</u> |
| Excess of Revenues Over (Under) | | | | | |
| Expenditures | <u>14,537</u> | <u>(177,447)</u> | <u>(60,457)</u> | <u>(17,532)</u> | <u>(240,899)</u> |
| Other Financing Sources (Uses) | | | | | |
| Proceeds from Disposal of Capital Assets | 7,395 | - | - | - | 7,395 |
| Proceeds from Sale of Bonds | - | 100,000 | - | - | 100,000 |
| Operating Transfers In (Out) | <u>(4,577)</u> | <u>-</u> | <u>-</u> | <u>4,577</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>2,818</u> | <u>100,000</u> | <u>-</u> | <u>4,577</u> | <u>107,395</u> |
| Excess of Revenues and Other Sources Over (Under) | | | | | |
| Expenditures and Other Uses | 17,355 | (77,447) | (60,457) | (12,955) | (133,504) |
| Fund Balance-April 1, 2006 | <u>252,815</u> | <u>94,237</u> | <u>73,250</u> | <u>22,009</u> | <u>442,311</u> |
| Fund Balance-March 31, 2007 | <u>\$ 270,170</u> | <u>\$ 16,790</u> | <u>\$ 12,793</u> | <u>\$ 9,054</u> | <u>\$ 308,807</u> |

The Notes to Financial Statements are an integral part of this statement.

ODESSA TOWNSHIP
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2007

| | | |
|---|--------------|-------------------------|
| Net Change in Fund Balances - Total Governmental Funds | | \$ (133,504) |
| Special assessment revenues are recorded in the statement of activities when the project is substantially complete; they are not reported in the funds if collected by year end or within 60 days of year end | | (9,871) |
| Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces debt) | | 117,000 |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives | | |
| Expenditures for capital assets | \$ 229,935 | |
| Less: Current year depreciation | 41,192 | |
| Less: Proceeds from Disposal of Capital Assets | 7,395 | |
| Less: Loss from Disposal of Capital Assets | <u>2,501</u> | 178,847 |
| Investment in Joint Venture in governmental activities is not a financial resource and therefore is not reported in the governmental funds | | 23,177 |
| Bond proceeds are revenue in the governmental funds, but not in the statement of activities (where it increases debt) | | <u>(100,000)</u> |
| Change in Net Assets of Governmental Funds | | <u>\$ 75,649</u> |

The Notes to Financial Statements are an integral part of this statement.

ODESSA TOWNSHIP
FIDUCIARY FUNDS STATEMENT OF NET ASSETS
March 31, 2007

| ASSETS | Cemetery Trust | Pension Trust | Current Tax Collection |
|------------------------------------|---------------------------|--------------------------|-----------------------------------|
| Cash | \$ 3,120 | \$ - | \$ 5,719 |
| Investments-at Fair Value | | | |
| Other Investments | 9,961 | 107,217 | - |
| Total Assets | <u>13,081</u> | <u>107,217</u> | <u>5,719</u> |
| LIABILITIES | | | |
| Due to Other Funds | - | - | 747 |
| Due to Other Units of Government | - | - | 4,972 |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>5,719</u> |
| NET ASSETS | | | |
| Net Assets | | | |
| Held in Trust for Pension Benefits | - | 107,217 | - |
| Held in Trust for Cemetery Care | 13,081 | - | - |
| Total Net Assets | <u>\$ 13,081</u> | <u>\$ 107,217</u> | <u>\$ -</u> |

The Notes to Financial Statements are an integral part of this statement.

ODESSA TOWNSHIP
FIDUCIARY FUNDS STATEMENT OF CHANGES IN NET ASSETS
For the Year Ended March 31, 2007

| | Cemetery Trust | Pension Trust |
|------------------------|---------------------------|--------------------------|
| Additions | | |
| Contributions | | |
| Employer | \$ - | \$ 7,128 |
| Total Contributions | - | 7,128 |
| Investment Income | | |
| Interest and Dividends | 555 | 6,033 |
| Total Additions | 555 | 13,161 |
| Deductions | | |
| Distributions | - | 13,192 |
| Charges | - | 1,660 |
| Cemetery Care | 760 | - |
| Total Deductions | 760 | 14,852 |
| Change in Net Assets | (205) | (1,691) |
| Net Assets-Beginning | 13,286 | 108,908 |
| Net Assets-Ending | \$ 13,081 | \$ 107,217 |

The Notes to Financial Statements are an integral part of this statement.

ODESSA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Odessa Township 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 Odessa Township:

REPORTING ENTITY

Odessa Township is located in Ionia County, Michigan. The Township operates under an elected board of five members and provides services to residents in many areas including roads, fire protection and general government services. Education services are provided to citizens through several local school districts, which are separate governmental entities.

JOINT VENTURES

Fire Department

The Township, together with the Village of Lake Odessa has established a joint fire department under the provisions of Public Act 33 of 1951 and Public Act 7 of 1967. The department is known as the Lake Odessa Fire Department. The Lake Odessa Fire Department operates under an appointed board of five members. Lake Odessa Fire Department receives 55% of its operating budget from Odessa Township and the remaining 45% from the Village of Lake Odessa. All pre-existing property used by the Fire Department that is titled in the name of Odessa Township or Village of Lake Odessa will remain the property of such entity.

Odessa Township's share of the cost of fire protection for the year ended March 31, 2007 totaled \$45,375.

The following information summarizes the activity of the joint venture through March 31, 2007, the most recent audited financial statements available.

| | | | |
|--------------------------------------|------------|-----------------------------------|------------|
| Total Assets | \$ 126,764 | Total Revenues | \$ 114,894 |
| Total Liabilities | \$ - | Total Expenditures | \$ 81,216 |
| Total Net Assets | \$ 126,764 | Increase (Decrease) in Net Assets | \$ 33,678 |
| Total Joint Venture Outstanding Debt | \$ - | | |

Complete financial statements for Lake Odessa Fire Department can be obtained from:

Lisa Williams
3862 Laurel Rd
Lake Odessa, MI 48849

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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

ODESSA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

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. Program revenues include: (1) charges to customers 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 and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. 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, as are the 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 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.

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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual; therefore, they have been recognized as revenue in the current fiscal period. All other revenues are considered to be measurable only when the Township receives cash.

Taxes Receivable - The Township property tax is levied on each December 1st based on the taxable valuation of property located in the Township as of the preceding December 31st. These taxes are due on February 28th. After that date, they are added to the county delinquent tax rolls.

Although the Township ad valorem tax is levied and collectible on February 1st, it is the Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2006 State taxable valuation of the Township totaled \$102,222,185 on which ad valorem taxes levied consisted of .9049 mills for Township operating purposes and 1.0000 mills for the Township's fire truck, raising \$92,501 for operating purposes and \$102,222 for the fire truck.

**ODESSA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2007**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (Continued)

The Township reports the following major governmental funds:

- The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.
- The Fire Fund accounts for the Township's purchase of a new fire truck. Revenues are primarily derived from property taxes.
- The Road Fund accounts for the maintenance of the Township's roads. Revenues are primarily derived from property taxes.
- The Debt Service Fund accounts for the Township's paving and sewer projects in the Tupper Lake and Willowbrook areas. Revenues are primarily derived from special assessments levied on the residents of the special assessment districts.

Additionally, the government reports the following fiduciary fund types:

- The Pension Trust Fund accounts for the activities of the retirement system, which accumulates resources for pension benefit payments to qualified employees.
- The Cemetery Trust Fund accounts for the perpetual care of certain cemetery lots.
- The Trust and Agency Fund accounts for the assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The tax collection fund is the Township's only Trust and Agency Fund.

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 Payables - 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."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st based on the taxable valuation of property located in the Township as of the preceding December 31st. These taxes are due on February 28th. After that date, they are added to the county's delinquent tax rolls.

The delinquent real property taxes of the Township are purchased by Ionia County. The County sells tax notes and the proceeds are used to pay the Township for these property taxes. The Township receives its settlement of delinquent property taxes from Ionia County within the sixty-day period and therefore recognizes the revenue as current year property tax revenue.

Restricted Assets - The Township has restricted assets for roads, fire and debt service. By restricting a portion of the net assets for a specific purpose, the Township has limited the use of the funds for that specific purpose only. The Township Board cannot change the amounts restricted and cannot spend the restricted funds for any other purpose than roads and special assessments.

**ODESSA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2007**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. 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.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

| <u>General Assets</u> | |
|---------------------------|----------|
| Buildings | 40 years |
| Land Improvements | 15 years |
| Furniture | 10 years |
| Equipment | 7 years |
| Data Processing Equipment | 5 years |

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. 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.

Designated Fund Balances - The Township has designated fund balances for cemetery improvements, capital projects and equipment. By designating a portion of fund balance for a specific purpose, the Township Board has established a policy that the amounts designated are to be used for a specific purpose. The Township Board can change the amounts so designated if they desire.

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets were adopted for all required governmental fund types. The Township Boards prepares the annual budgets prior to March 31. A Public Hearing is conducted to obtain taxpayers' comments. The budget documents present information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

**ODESSA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2007**

EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETED FUNDS

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended March 31, 2007, the Township incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

| <u>FUND</u> | <u>BUDGET APPROPRIATION</u> | <u>ACTUAL EXPENDITURE</u> | <u>BUDGET VARIANCE</u> |
|----------------------------------|---------------------------------|-------------------------------|----------------------------|
| General: | | | |
| General Government: | | | |
| Elections | \$ 5,400 | \$ 27,789 | \$ 22,389 |
| Other Financings Sources (Uses): | | | |
| Operating Transfers Out | \$ - | \$ 4,577 | \$ 4,577 |
| Fire: | | | |
| Public Safety | \$ 4,700 | \$ 279,179 | \$ 274,479 |

ENCUMBRANCE ACCOUNTING

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by Odessa Township

DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91, authorizes the Township to make deposits 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; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated 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 has designated three banks, one savings bank and an investment company for the deposit of Odessa Township funds.

The Township retirement system's investments are held in trust by the investment fiduciary, John Hancock Life Insurance Company. Michigan Compiled Laws, Section 38.1132, authorizes the Township retirement system to invest in a wide variety of investments including stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature, and real or personal property. Specific limitations apply to the various investment types depending on the size of the system.

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

**ODESSA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2007**

DEPOSITS AND INVESTMENTS (Continued)

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

| | GOVERNMENTAL ACTIVITIES | FIDUCIARY FUNDS | TOTAL PRIMARY GOVERNMENT |
|---------------------------|------------------------------------|----------------------------|-------------------------------------|
| Cash and Cash Equivalents | \$ 232,760 | \$ 8,839 | \$ 241,599 |
| Investments | 8,833 | 117,178 | 126,011 |
| Restricted Assets | 31,361 | - | 31,361 |
| Total | \$ 272,954 | \$ 126,017 | \$ 398,971 |

The breakdown between deposits and investments is:

| | TOTAL PRIMARY GOVERNMENT |
|---|-------------------------------------|
| Cash and Cash Equivalents (Checking and Savings Accounts, Certificates of Deposit) | \$ 291,704 |
| Investment in Securities (Mutual Funds and Similar Vehicles) | 107,217 |
| Petty Cash and Cash on Hand | 50 |
| Total | \$ 398,971 |

Custodial credit risk is the risk that the Township will not be able to recover its deposits in the event of financial institution failure. The Township's deposits are exposed to the custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2007, the Township has deposits with a carrying amount of \$291,704 and a bank balance of \$298,891. Of the bank balance, \$208,477 is covered by federal depository insurance and \$90,414 is uninsured and \$0 is collateralized. The Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

LONG-TERM DEBT

The government issues bonds to provide for special assessments. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. The township also has a one-year note for the purchase of a fire truck.

**ODESSA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2007**

LONG-TERM DEBT (Continued)

The following is a summary of the debt outstanding for Odessa Township as of March 31, 2007:

| | <u>Interest Rate</u> | <u>Principal Matures</u> | <u>Beginning Balance</u> | <u>Addition (Reductions)</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|-------------------------------|--------------------------|------------------------------|------------------------------|----------------------------------|---------------------------|--------------------------------|
| Governmental Activities | | | | | | |
| Special Assesment Bonds | | | | | | |
| Tupper Lake | 5.70-6.10% | 2008 | \$ 19,000 | \$ (7,000) | \$ 12,000 | \$ 8,000 |
| Willowbrook | 6.00-6.50% | 2007 | 20,000 | (20,000) | - | - |
| Fire Truck Note | | | | | | |
| Fire Truck | 3.93% | 2007 | - | 10,000 | 10,000 | 10,000 |
| Total Governmental Activities | | | <u>\$ 39,000</u> | <u>\$ (17,000)</u> | <u>\$ 22,000</u> | <u>\$ 18,000</u> |

Annual debt service requirements to maturity for the above obligations are as follows:

| <u>Year End March 31</u> | <u>Governmental Activities</u> | |
|--------------------------|--------------------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2008 | \$ 18,000 | \$ 307 |
| 2009 | 4,000 | - |
| 2010 | - | - |
| 2011 | - | - |
| 2012 | - | - |
| Total | <u>\$ 22,000</u> | <u>\$ 307</u> |

**ODESSA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2007**

CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

| | <u>BEGINNING BALANCE</u> | <u>INCREASES</u> | <u>DECREASES</u> | <u>ENDING BALANCE</u> |
|--|------------------------------|-------------------|------------------|---------------------------|
| Governmental Activities | | | | |
| Capital Assets not Being Depreciated | | | | |
| Land | \$ 19,097 | \$ - | \$ - | \$ 19,097 |
| Subtotal | <u>19,097</u> | <u>-</u> | <u>-</u> | <u>19,097</u> |
| Capital Assets Being Depreciated | | | | |
| Buildings | 213,133 | 6,875 | - | 220,008 |
| Improvements | 34,988 | 500 | 1,163 | 34,325 |
| Furniture | 12,133 | - | - | 12,133 |
| Equipment | 357,707 | 218,510 | 14,388 | 561,829 |
| Data Processing Equipment | <u>15,847</u> | <u>4,050</u> | <u>897</u> | <u>19,000</u> |
| Subtotal | 633,808 | 229,935 | 16,448 | 847,295 |
| Less Accumulated Depreciation for | | | | |
| Buildings | 39,276 | 4,736 | - | 44,012 |
| Improvements | 6,814 | 1,961 | 467 | 8,308 |
| Furniture | 8,360 | 1,092 | - | 9,452 |
| Equipment | 212,294 | 31,802 | 5,432 | 238,664 |
| Data Processing Equipment | <u>12,109</u> | <u>1,601</u> | <u>653</u> | <u>13,057</u> |
| Subtotal | <u>278,853</u> | <u>41,192</u> | <u>6,552</u> | <u>313,493</u> |
| Net Capital Assets Being Depreciated | <u>354,955</u> | <u>188,743</u> | <u>9,896</u> | <u>533,802</u> |
| Governmental Activities Total Capital Assets-Net of Depreciation | <u>\$ 374,052</u> | <u>\$ 188,743</u> | <u>\$ 9,896</u> | <u>\$ 552,899</u> |

Depreciation expense was charged to programs of the Township as follows:

| | |
|-----------------------------|------------------|
| Governmental Activities | |
| General Government | \$ 13,484 |
| Public Safety | <u>27,708</u> |
| Total Government Activities | <u>\$ 41,192</u> |

**ODESSA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2007**

INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances is as follows:

| FUND | INTERFUND RECEIVABLES | FUND | INTERFUND PAYABLES |
|--------------|----------------------------------|-------------|-------------------------------|
| General | \$ 585 | Current Tax | \$ 747 |
| Fire | 162 | | |
| | <u>\$ 747</u> | | <u>\$ 747</u> |
| FUND | TRANSFERS IN | FUND | TRANSFERS OUT |
| Debt Service | \$ 4,577 | General | \$ 4,577 |
| | <u>\$ 4,577</u> | | <u>\$ 4,577</u> |

The interfund receivables and payables represent money owed to the general fund and fire fund for taxes collected in the current tax fund and not yet distributed to these funds. Transfers were used to move general funds to debt service fund where the expenditures were expended from in accordance with budgetary authorizations.

RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Township manages its risk exposure through a combination of risk management pools and commercial insurance. The Township has insurance provided by an independent insurance company for worker's compensation. Following is a summary of the risk management pool participation.

The Township participates in the Michigan Township Participating Plan (Par Plan) for property, general liability, and employee bond coverage. The Par Plan was established in April 1985, pursuant to laws of the State of Michigan, which authorizes local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of the plan is to jointly exercise powers common to each participating member to establish and administer a risk management program; to prevent or lessen the incidence and severity of casualty losses occurring in the operation of its members; and to defend and protect any member of the authority against liability or loss.

The Par Plan, while it operates under the Michigan Legislation of Public Act 138, does not operate as a risk pool due to a total transfer of risk to reinsurance companies backing the Par Plan. Due to this reinsurance purchase, there is no pooling of risk between members. The plan has protected itself in the event a reinsurance becomes uncollectible by purchasing a reinsurance treaty for uncollectible reinsurance.

The Par Plan chose to adopt the forms and endorsements of conventional insurance protection and to reinsure these coverages 100%, rather than utilize a risk pool of member funds to pay individual and collective losses up to a given retention, and then have reinsurance above that retention amount.

The individual members are responsible for their self-retention amounts (deductibles), which vary from member to member.

At March 31, 2007, there were no claims, which exceeded insurance coverage. The Township had no significant reduction in insurance coverage from previous years.

ODESSA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

DEFINED CONTRIBUTION PLAN

The Township contributes to a defined contribution pension plan for its eligible employees. John Hancock Life Insurance Company holds the participants' accounts in individual "guaranteed accounts".

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeiture of other participants' benefits that may be allocated to such participant's account. The pension plan is available to all members of the township board and cemetery employees who have attained the age of 18. Contributions by the Township vest upon twelve months of completion. The Township contributes 10% of the participants' gross earnings. Voluntary employee contributions are not allowed.

During the year, the Township's required and actual contributions amounted to \$7,128, which was 10.32% of its current-year covered payroll of \$69,027. The total fiscal year payroll was \$87,701. No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

ODESSA TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended March 31, 2007

| | <u>ORIGINAL BUDGET</u> | <u>AMENDED BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE WITH AMENDED BUDGET</u> |
|--|----------------------------|---------------------------|----------------|---|
| Beginning of Year Fund Balance | \$ 252,815 | \$ 252,815 | \$ 252,815 | \$ - |
| Resources (Inflows) | | | | |
| Taxes and Penalties | 113,400 | 118,400 | 125,072 | 6,672 |
| State Grants | 125,400 | 125,400 | 148,878 | 23,478 |
| Charges for Services | 25,800 | 25,800 | 28,607 | 2,807 |
| Interest and Rentals | 6,600 | 6,600 | 11,015 | 4,415 |
| Other Revenue | <u>2,050</u> | <u>2,050</u> | <u>5,922</u> | <u>3,872</u> |
| Total Resources | <u>273,250</u> | <u>278,250</u> | <u>319,494</u> | <u>41,244</u> |
| Charges to Appropriations (Outflows) | | | | |
| Legislative | 3,310 | 3,310 | 2,464 | 846 |
| General Government | | | | |
| Supervisor | 16,864 | 16,864 | 16,488 | 376 |
| Elections | 6,300 | 5,400 | 4,413 | 987 |
| Assessor | 20,945 | 20,945 | 20,944 | 1 |
| Attorney | 5,000 | 9,781 | 7,364 | 2,417 |
| Clerk | 20,750 | 20,750 | 19,830 | 920 |
| Audit | 5,000 | 5,060 | 5,057 | 3 |
| Board of Review | 920 | 920 | 667 | 253 |
| Treasurer | 25,250 | 25,250 | 25,085 | 165 |
| Township Hall | 16,115 | 15,905 | 15,475 | 430 |
| Cemetery | 63,150 | 56,150 | 55,531 | 619 |
| Public Safety | | | | |
| Fire Department | 45,500 | 45,500 | 45,375 | 125 |
| Public Works | | | | |
| Drains | 20,000 | 17,900 | 17,237 | 663 |
| Highways | 85,400 | 85,400 | 3,265 | 82,135 |
| Other | | | | |
| Insurance, Bonds, Dues and Fringes | 21,100 | 21,750 | 20,951 | 799 |
| Capital Outlay | <u>14,000</u> | <u>24,200</u> | <u>44,811</u> | <u>(20,611)</u> |
| Total Charges to Appropriations | <u>369,604</u> | <u>375,085</u> | <u>304,957</u> | <u>70,128</u> |
| Excess of Resources Over (Under) Appropriations | <u>(96,354)</u> | <u>(96,835)</u> | <u>14,537</u> | <u>111,372</u> |
| Other Financing Sources (Uses) | | | | |
| Proceeds From Sale of Capital Assets | 7,195 | 7,395 | 7,395 | - |
| Operating Transfers In | 82,800 | 82,800 | - | (82,800) |
| Operating Transfers Out | <u>-</u> | <u>-</u> | <u>(4,577)</u> | <u>(4,577)</u> |
| Total Other Financing Sources (Uses) | <u>89,995</u> | <u>90,195</u> | <u>2,818</u> | <u>(87,377)</u> |

ODESSA TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)
For the Year Ended March 31, 2007

| | <u>ORIGINAL BUDGET</u> | <u>AMENDED BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE WITH AMENDED BUDGET</u> |
|--|----------------------------|---------------------------|-------------------|---|
| Excess of Resources and Other Sources Over (Under) Appropriations and Other Uses | <u>(6,359)</u> | <u>(6,640)</u> | <u>17,355</u> | <u>23,995</u> |
| Budgetary Fund Balance - March 31, 2007 | <u>\$ 246,456</u> | <u>\$ 246,175</u> | <u>\$ 270,170</u> | <u>\$ 23,995</u> |

ODESSA TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - FIRE FUND
For the Year Ended March 31, 2007

| | <u>ORIGINAL BUDGET</u> | <u>AMENDED BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE WITH AMENDED BUDGET</u> |
|--|----------------------------|---------------------------|------------------|---|
| Beginning of Year Fund Balance | \$ 94,237 | \$ 94,237 | \$ 94,237 | \$ - |
| Resources (Inflows) | | | | |
| Taxes and Penalties | 94,574 | 94,574 | 101,109 | 6,535 |
| Interest and Rentals | <u>200</u> | <u>200</u> | <u>623</u> | <u>423</u> |
| Total Resources | <u>94,774</u> | <u>94,774</u> | <u>101,732</u> | <u>6,958</u> |
| Charges to Appropriations (Outflows) | | | | |
| Public Safety | | | | |
| Supplies | 200 | 200 | 124 | (76) |
| Contracted Services | - | - | 2,245 | 2,245 |
| Capital Outlay | - | - | 185,124 | 185,124 |
| Debt Service | <u>4,500</u> | <u>4,500</u> | <u>91,686</u> | <u>87,186</u> |
| Total Charges to Appropriations | <u>4,700</u> | <u>4,700</u> | <u>279,179</u> | <u>274,479</u> |
| Excess of Resources Over (Under) Appropriations | <u>90,074</u> | <u>90,074</u> | <u>(177,447)</u> | <u>(267,521)</u> |
| Other Financing Sources (Uses) | | | | |
| Proceeds from Sale of Bonds | <u>-</u> | <u>-</u> | <u>100,000</u> | <u>100,000</u> |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>100,000</u> | <u>100,000</u> |
| Excess of Resources and Other Sources Over (Under) Appropriations and Other Uses | <u>90,074</u> | <u>90,074</u> | <u>(77,447)</u> | <u>(167,521)</u> |
| Budgetary Fund Balance - March 31, 2007 | <u>\$ 184,311</u> | <u>\$ 184,311</u> | <u>\$ 16,790</u> | <u>\$ (167,521)</u> |

ODESSA TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - ROAD FUND
For the Year Ended March 31, 2007

| | <u>ORIGINAL BUDGET</u> | <u>AMENDED BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE WITH AMENDED BUDGET</u> |
|--|----------------------------|---------------------------|------------------|---|
| Beginning of Year Fund Balance | \$ 73,250 | \$ 73,250 | \$ 73,250 | \$ - |
| Resources (Inflows) | | | | |
| Taxes and Penalties | - | - | 101 | 101 |
| Interest and Rentals | <u>800</u> | <u>800</u> | <u>532</u> | <u>(268)</u> |
| Total Resources | <u>800</u> | <u>800</u> | <u>633</u> | <u>(167)</u> |
| Charges to Appropriations (Outflows) | | | | |
| Public Works | | | | |
| Repairs and Maintenance | <u>82,000</u> | <u>82,000</u> | <u>61,090</u> | <u>20,910</u> |
| Total Charges to Appropriations | <u>82,000</u> | <u>82,000</u> | <u>61,090</u> | <u>20,910</u> |
| Excess of Resources Over (Under) Appropriations | <u>(81,200)</u> | <u>(81,200)</u> | <u>(60,457)</u> | <u>20,743</u> |
| Budgetary Fund Balance - March 31, 2007 | <u>\$ (7,950)</u> | <u>\$ (7,950)</u> | <u>\$ 12,793</u> | <u>\$ 20,743</u> |

ODESSA TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended March 31, 2007

| <u>REVENUES</u> | <u>ORIGINAL BUDGET</u> | <u>AMENDED BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE WITH AMENDED BUDGET</u> |
|---------------------------------|----------------------------|---------------------------|----------------|---|
| Taxes and Penalties: | | | | |
| Current Property Taxes | | | \$ 85,108 | |
| Delinquent Property Taxes | | | 6,824 | |
| Collection Fees | | | 31,405 | |
| Penalties and Interest on Taxes | | | <u>1,735</u> | |
| Total Taxes and Penalties | \$ 113,400 | \$ 118,400 | <u>125,072</u> | \$ 6,672 |
| State Grants: | | | | |
| State Revenue Sharing: | | | | |
| Sales Tax | | | 120,002 | |
| Other | | | <u>28,876</u> | |
| Total State Grants | 125,400 | 125,400 | <u>148,878</u> | 23,478 |
| Charges for Services: | | | | |
| Grave Foundations | | | 3,207 | |
| Grave Openings | | | 13,800 | |
| Sale of Cemetery Lots | | | <u>11,600</u> | |
| Total Charges for Services | 25,800 | 25,800 | <u>28,607</u> | 2,807 |
| Interest and Rentals: | | | | |
| Interest | | | 7,990 | |
| Rentals | | | <u>3,025</u> | |
| Total Interest and Rentals | 6,600 | 6,600 | <u>11,015</u> | 4,415 |
| Other Revenue: | | | | |
| Land Split Applications | | | 900 | |
| Reimbursements | | | 1,361 | |
| Miscellaneous | | | <u>3,661</u> | |
| Total Other Revenue | <u>2,050</u> | <u>2,050</u> | <u>5,922</u> | <u>3,872</u> |
| Total Revenues | <u>273,250</u> | <u>278,250</u> | <u>319,494</u> | <u>41,244</u> |

ODESSA TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
For the Year Ended March 31, 2007

| <u>EXPENDITURES</u> | <u>ORIGINAL BUDGET</u> | <u>AMENDED BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE WITH AMENDED BUDGET</u> |
|----------------------------|----------------------------|---------------------------|---------------|---|
| Legislative: | | | | |
| Township Board: | | | | |
| Salaries | | | 2,125 | |
| Social Security | | | 163 | |
| Transportation | | | 29 | |
| Printing and Publishing | | | 22 | |
| Education and Training | | | <u>125</u> | |
| Total Legislative | <u>3,310</u> | <u>3,310</u> | <u>2,464</u> | <u>846</u> |
| General Government: | | | | |
| Supervisor: | | | | |
| Salary | | | 8,652 | |
| Other Wages | | | 5,064 | |
| Social Security | | | 1,049 | |
| Supplies | | | 8 | |
| Computer Support | | | 1,175 | |
| Printing and Publishing | | | 91 | |
| Education & Training | | | 125 | |
| Transportation | | | 284 | |
| Miscellaneous | | | <u>40</u> | |
| Total Supervisor | 16,864 | 16,864 | <u>16,488</u> | 376 |
| Elections: | | | | |
| Wages | | | 2,571 | |
| Social Security | | | 26 | |
| Supplies | | | 806 | |
| Computer Support | | | 389 | |
| Printing and Publishing | | | 188 | |
| Transportation | | | 163 | |
| Miscellaneous | | | 270 | |
| Capital Outlay | | | <u>23,376</u> | |
| Total Elections | 6,300 | 5,400 | <u>27,789</u> | (22,389) |
| Assessor: | | | | |
| Contracted Services | | | <u>20,944</u> | |
| Total Assessor | 20,945 | 20,945 | <u>20,944</u> | 1 |
| Attorney: | | | | |
| Contracted Services | | | <u>7,364</u> | |
| Total Attorney | 5,000 | 9,781 | <u>7,364</u> | 2,417 |

ODESSA TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
For the Year Ended March 31, 2007

| <u>EXPENDITURES (Continued)</u> | <u>ORIGINAL BUDGET</u> | <u>AMENDED BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE WITH AMENDED BUDGET</u> |
|---------------------------------------|----------------------------|---------------------------|---------------|---|
| General Government (Continued) | | | | |
| Clerk: | | | | |
| Salary | | | 15,500 | |
| Social Security | | | 1,186 | |
| Supplies | | | 739 | |
| Computer Support | | | 1,677 | |
| Printing and Publishing | | | 563 | |
| Education and Training | | | 125 | |
| Miscellaneous | | | 40 | |
| Total Clerk | 20,750 | 20,750 | <u>19,830</u> | 920 |
| Audit: | | | | |
| Contracted Services | | | 5,057 | |
| Total Audit | 5,000 | 5,060 | <u>5,057</u> | 3 |
| Board of Review: | | | | |
| Per Diem and Fees | | | 650 | |
| Social Security | | | 17 | |
| Total Board of Review | 920 | 920 | <u>667</u> | 253 |
| Treasurer: | | | | |
| Salary | | | 17,000 | |
| Other Wages | | | 620 | |
| Social Security | | | 1,321 | |
| Postage | | | 3,284 | |
| Supplies | | | 1,531 | |
| Computer Support | | | 670 | |
| Transportation | | | 254 | |
| Education and Training | | | 325 | |
| Miscellaneous | | | 80 | |
| Capital Outlay | | | 1,600 | |
| Total Treasurer | 26,750 | 26,950 | <u>26,685</u> | 265 |
| Township Hall: | | | | |
| Salaries | | | 2,839 | |
| Social Security | | | 217 | |
| Supplies | | | 1,157 | |
| Contracted Services | | | 4,001 | |
| Telephone | | | 1,726 | |
| Utilities | | | 5,214 | |
| Repairs and Maintenance | | | 131 | |
| Miscellaneous | | | 190 | |
| Capital Outlay | | | 2,950 | |
| Total Township Hall | <u>16,615</u> | <u>19,405</u> | <u>18,425</u> | <u>980</u> |

ODESSA TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
For the Year Ended March 31, 2007

| <u>EXPENDITURES (Continued)</u> | <u>ORIGINAL BUDGET</u> | <u>AMENDED BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE WITH AMENDED BUDGET</u> |
|--|----------------------------|---------------------------|----------------|---|
| General Government (Continued): | | | | |
| Cemetery: | | | | |
| Salaries | | | 25,750 | |
| Other Salaries | | | 7,351 | |
| Social Security | | | 2,532 | |
| Fringes | | | 8,689 | |
| Supplies | | | 4,155 | |
| Computer Support | | | 449 | |
| Printing and Publishing | | | 126 | |
| Contracted Services | | | 1,070 | |
| Telephone | | | 482 | |
| Fuel and Gas | | | 2,758 | |
| Utilities | | | 75 | |
| Repairs and Maintenance | | | 1,309 | |
| Miscellaneous | | | 785 | |
| Capital Outlay | | | <u>16,885</u> | |
| Total Cemetery | <u>75,150</u> | <u>75,150</u> | <u>72,416</u> | <u>2,734</u> |
| Total General Government | <u>194,294</u> | <u>201,225</u> | <u>215,665</u> | <u>(14,440)</u> |
| Public Safety: | | | | |
| Fire Department: | | | | |
| Contracted Services | | | <u>45,375</u> | |
| Total Fire Department | <u>45,500</u> | <u>45,500</u> | <u>45,375</u> | <u>125</u> |
| Total Public Safety | <u>45,500</u> | <u>45,500</u> | <u>45,375</u> | <u>125</u> |
| Public Works: | | | | |
| Drains: | | | | |
| Contracted Services | | | <u>17,237</u> | |
| Total Drains | 20,000 | 17,900 | <u>17,237</u> | 663 |
| Highways: | | | | |
| Brine Road Cost | | | 3,006 | |
| Culverts/Gradall | | | <u>259</u> | |
| Total Highways | <u>85,400</u> | <u>85,400</u> | <u>3,265</u> | <u>82,135</u> |
| Total Public Works | <u>105,400</u> | <u>103,300</u> | <u>20,502</u> | <u>82,798</u> |

ODESSA TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
For the Year Ended March 31, 2007

| <u>EXPENDITURES (Continued)</u> | <u>ORIGINAL BUDGET</u> | <u>AMENDED BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE WITH AMENDED BUDGET</u> |
|--|----------------------------|---------------------------|-------------------|---|
| Other: | | | | |
| Membership and Dues | | | 1,646 | |
| Retirement | | | 7,715 | |
| Insurance and Bonds | | | 11,090 | |
| Other | | | <u>500</u> | |
| Total Other | <u>21,100</u> | <u>21,750</u> | <u>20,951</u> | <u>799</u> |
| Total Expenditures | <u>369,604</u> | <u>375,085</u> | <u>304,957</u> | <u>70,128</u> |
| Excess of Revenues Over Expenditures | <u>(96,354)</u> | <u>(96,835)</u> | <u>14,537</u> | <u>111,372</u> |
| Other Financing Sources (Uses): | | | | |
| Proceeds From Trade-Ins of | | | | |
| Capital Assets | 7,195 | 7,395 | 7,395 | - |
| Operating Transfers In | 82,800 | 82,800 | - | (82,800) |
| Operating Transfers Out | <u>-</u> | <u>-</u> | <u>(4,577)</u> | <u>(4,577)</u> |
| Total Other Financing Sources (Uses) | <u>89,995</u> | <u>90,195</u> | <u>2,818</u> | <u>(87,377)</u> |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | (6,359) | (6,640) | 17,355 | 23,995 |
| Fund Balance-April 1, 2006 | <u>252,815</u> | <u>252,815</u> | <u>252,815</u> | <u>-</u> |
| Fund Balance-March 31, 2007 | <u>\$ 246,456</u> | <u>\$ 246,175</u> | <u>\$ 270,170</u> | <u>\$ 23,995</u> |



WALKER, FLUKE & SHELDON, PLC
CERTIFIED PUBLIC ACCOUNTANTS

525 W. Apple Street
Hastings, MI 49058
Phone (269) 945-9452
Fax (269) 945-4890

Christopher J. Fluke, C.P.A.
Katherine K. Sheldon, C.P.A.

1971 S. State Road
Ionia, MI 48846
Phone (616) 522-0792
Fax (616) 522-0873

To the Township Board
Odessa Township
Ionia County, Michigan

In planning and performing our audit of the financial statements of Odessa Township 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 Odessa Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design and of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township'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 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 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 that the following deficiencies constitute material weaknesses.

- The Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, changes in capital assets, and to present required financial statement disclosures.

This communication is intended solely for the information and use of management, the board of trustees of Odessa Township and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Hastings, Michigan
June 20, 2007

Walker, Fluke & Sheldon, PLC