

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 Township of Leroy	County Calhoun
Fiscal Year End March 31, 2007	Opinion Date July 19, 2007	Date Audit Report Submitted to State August 7, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

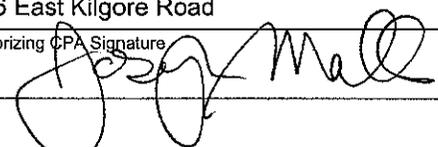
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

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"/>	Not considered necessary
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112 Letter
Certified Public Accountant (Firm Name) Siegfried Crandall PC	Telephone Number (269) 381-4970	
Street Address 246 East Kilgore Road	City Kalamazoo	State MI
		Zip 49002
Authorizing CPA Signature 	Printed Name Joseph M. Walls, CPA	License Number 1101013696

Township of Leroy
Calhoun County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended March 31, 2007

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INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Township of Leroy, Michigan**

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Township of Leroy, Michigan, as of March 31, 2007, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Leroy, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Township of Leroy, Michigan, as of March 31, 2007, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information on pages 16 through 17 is not a required part of the basic financial statements but is supplementary 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 supplementary information. However, we did not audit the information and express no opinion on it. Leroy Township, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Board of Trustees
Township of Leroy, Michigan
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Leroy, Michigan's, basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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.

Sigfried Crandall P.C.

July 19, 2007

BASIC FINANCIAL STATEMENTS

Township of Leroy
STATEMENT OF NET ASSETS
 March 31, 2007

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 446,571
Investments	247,552
Receivables, net	<u>52,664</u>
Total current assets	<u>746,787</u>
Noncurrent assets	
Capital assets not being depreciated - land	54,657
Capital assets, net of accumulated depreciation	<u>702,532</u>
Total noncurrent assets	<u>757,189</u>
Total assets	<u>1,503,976</u>
LIABILITIES	
Current liabilities:	
Payables	6,870
Current portion of long term debt	<u>14,760</u>
Total current liabilities	<u>21,630</u>
NET ASSETS	
Invested in capital assets, net of related debt	742,429
Restricted for public works	4,033
Unrestricted	<u>735,884</u>
Total net assets	<u>\$ 1,482,346</u>

See notes to financial statements

Township of Leroy
STATEMENT OF ACTIVITIES
Year ended March 31, 2007

	<u>Program revenues</u>				<i>Net (expenses)</i>
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>	<i>revenues and changes in net assets</i>
Functions/Programs					
Governmental activities:					
Legislative	\$ 3,134	\$ -	\$ -	\$ -	\$ (3,134)
General government	212,647	23,425	-	-	(189,222)
Public safety	128,973	36,857	298	6,600	(85,218)
Public works	52,757	30,540	4,725	-	(17,492)
Community and economic development	12,033	4,287	-	-	(7,746)
Culture and recreation	4,940	-	-	-	(4,940)
	<u>\$ 414,484</u>	<u>\$ 95,109</u>	<u>\$ 5,023</u>	<u>\$ 6,600</u>	<u>(307,752)</u>
Total governmental activities					
General revenues:					
Taxes					80,349
State grants					220,413
Franchise fees					15,937
Investment income					32,397
					<u>349,096</u>
Total general revenues					
Change in net assets					41,344
Net assets - beginning					<u>1,441,002</u>
Net assets - ending					<u>\$ 1,482,346</u>

See notes to financial statements

Township of Leroy
BALANCE SHEET - governmental funds
 March 31, 2007

	<u>General</u>	<u>Total nonmajor governmental funds</u>	<u>Total governmental funds</u>
ASSETS			
Cash	\$ 442,538	\$ 4,033	\$ 446,571
Investments	247,552	-	247,552
Receivables	<u>52,664</u>	<u>-</u>	<u>52,664</u>
Total assets	<u>\$ 742,754</u>	<u>\$ 4,033</u>	<u>\$ 746,787</u>
LIABILITIES AND FUND BALANCES			
Liabilities - payables	<u>6,870</u>	<u>-</u>	<u>6,870</u>
Fund balances:			
Undesignated	735,884		735,884
Undesignated reported in non-major - special revenue fund	<u>-</u>	<u>4,033</u>	<u>4,033</u>
Total fund balances	<u>735,884</u>	<u>4,033</u>	<u>739,917</u>
Total liabilities and fund balances	<u>\$ 742,754</u>	<u>\$ 4,033</u>	<u>\$ 746,787</u>
Total fund balances - total governmental funds			\$ 739,917
Amounts reported for <i>governmental activities</i> in the statement of net assets (page 5) are different because:			
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.			757,189
Long-term liabilities, including contracts payable, are not due and payable in the current period and, therefore, are not reported in the funds.			<u>(14,760)</u>
Net assets of <i>governmental activities</i>			<u>\$ 1,482,346</u>

See notes to financial statements

Township of Leroy
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds
Year ended March 31, 2007

	<u>General</u>	<u>Total nonmajor governmental funds</u>	<u>Total governmental funds</u>
REVENUES			
Taxes	\$ 89,910	\$ -	\$ 89,910
Licenses and permits	53,162	-	53,162
State grants	230,738	-	230,738
Charges for services	13,971	2,019	15,990
Interest and rentals	33,933	14	33,947
Other	32,081	-	32,081
	<u>453,795</u>	<u>2,033</u>	<u>455,828</u>
EXPENDITURES			
Legislative	3,134	-	3,134
General government	215,413	-	215,413
Public safety	94,310	-	94,310
Public works	52,757	-	52,757
Community and economic development	12,033	-	12,033
Culture and recreation	3,807	-	3,807
Capital outlay	45,689	-	45,689
Debt service:			
Principal	28,793	-	28,793
Interest	1,017	-	1,017
	<u>456,953</u>	<u>-</u>	<u>456,953</u>
NET CHANGES IN FUND BALANCES	(3,158)	2,033	(1,125)
FUND BALANCES - BEGINNING	<u>739,042</u>	<u>2,000</u>	<u>741,042</u>
FUND BALANCES - ENDING	<u>\$ 735,884</u>	<u>\$ 4,033</u>	<u>\$ 739,917</u>
Net change in fund balances - total governmental funds			\$ (1,125)
Amounts reported for <i>governmental activities</i> in the statement of activities (page 6) are different because:			
Capital assets:			
Acquisitions			62,782
Provision for depreciation			(49,106)
Long-term liabilities - principal payments			<u>28,793</u>
Change in net assets of <i>governmental activities</i>			<u>\$ 41,344</u>

See notes to financial statements

Township of Leroy
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Leroy, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements.

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

The major individual governmental fund is reported as a separate column in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting. Revenues are 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 revenues in the year for which they are levied. Grants and similar items are recognized as revenues 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. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers property tax revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, 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 and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

Township of Leroy
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

The Township reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 50 years
Equipment	5-15 years
Fire vehicles	20 years
Roads	20 years

Township of Leroy
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity (continued):*

iv) *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.

v) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year. The Township had no budget variations requiring disclosure.

NOTE 3 - CASH AND INVESTMENTS:

The Township's total cash and investments are reported as follows:

	<u>Governmental activities</u>
Deposits	\$ 446,221
Cash on hand	350
Investments	<u>247,552</u>
	<u>\$ 694,123</u>

Township of Leroy
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued):

State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. At March 31, 2007, the Township had deposits with a carrying amount of \$446,221.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2007, \$199,738 of the Township's bank balances of \$471,334 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Investments:

State statutes authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, with three (3) highest rate classifications by at least two (2) rating services, maturing not later 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; e) mutual funds; and f) investment pools organized under the local government investment pool act.

Investments at March 31, 2007, consist of U.S. government securities, which are uninsured and unregistered investments held by a broker-dealer in the Township's name. Investments are carried at fair market value as follows:

<i>Investment</i>	<i>Interest rate</i>	<i>Maturity date</i>	<i>Fair market value</i>
U.S. Treasury Note	4.38%	5/15/2007	\$ 49,955
U.S. Treasury Note	3.00%	11/15/2007	49,387
U.S. Treasury Note	3.25%	8/15/2008	48,992
U.S. Treasury Note	3.38%	12/15/2008	48,949
U.S. Treasury Note	4.88%	5/15/2009	50,269
			<u>\$ 247,552</u>

Township of Leroy
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued):

The Township's investments are subject to several types of risk, which are discussed below:

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Township will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. State statutes and the Township's investment policy do not contain requirements that would limit the exposure to custodial credit risk for investments; 2) Interest rate risk is the risk that the value of an investment will decrease as a result of an increase in market interest rates. Generally, longer investment maturities generate more sensitivity to changes in an investment's fair value due to changes in market interest rates. The Township monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The Township's investment policy has no specific limitations with respect to maturities of investments; 3) Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Obligations of the U.S. Government are not considered to have credit risk.

NOTE 4 - RECEIVABLES:

Receivables as of year end for the Township's individual major and nonmajor funds, in the aggregate, are as follows:

<u>Fund</u>	<u>Inter- governmental</u>	<u>Property taxes</u>	<u>Totals</u>
General	\$ 45,406	\$ 7,258	\$ 52,664

All receivables are considered fully collectible, and are due within one year.

Township of Leroy
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2007, 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	\$ 36,143	\$ 18,514	\$ -	\$ 54,657
Capital assets being depreciated:				
Buildings and improvements	418,910	27,053	-	445,963
Equipment and vehicles	813,175	17,215	-	830,390
Subtotal	<u>1,232,085</u>	<u>44,268</u>	<u>-</u>	<u>1,276,353</u>
Less accumulated depreciation for:				
Buildings	(127,759)	(9,962)	-	(137,721)
Equipment and vehicles	(396,956)	(39,144)	-	(436,100)
Subtotal	<u>(524,715)</u>	<u>(49,106)</u>	<u>-</u>	<u>(573,821)</u>
Total capital assets being depreciated (net)	<u>707,370</u>	<u>(4,838)</u>	<u>-</u>	<u>702,532</u>
Governmental activities capital assets, net	<u>\$ 743,513</u>	<u>\$ 13,676</u>	<u>\$ -</u>	<u>\$ 757,189</u>

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

Governmental activities:	
General government	\$ 14,744
Public safety	33,229
Culture and recreation	<u>1,133</u>
Total governmental activities	<u>\$ 49,106</u>

NOTE 6 - LONG-TERM DEBT:

Long-term debt at March 31, 2007, is comprised of the following individual issues:

Note payable:

\$137,091 installment purchase agreement under P.A. 99, September 20, 2002, to purchase a fire truck, payments are due in monthly installments of \$2,484 including interest; final payment is due September 2007.

\$ 14,760

Township of Leroy
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - LONG-TERM DEBT (Continued):

Long-term liability activity for the year ended March 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Note payable	\$ 43,553	\$ -	\$ (28,793)	\$ 14,760	\$ 14,760

NOTE 7 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended March 31, 2007, is as follows:

Revenues	\$ 36,857
Expenses	<u>38,105</u>
Deficiency of revenues over expenses	<u>\$ (1,248)</u>

NOTE 8 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 9 - RESTRICTED NET ASSETS:

Governmental activities net assets as of March 31, 2007, in the amount of \$4,033 are restricted for utility system maintenance.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Leroy
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 86,485	\$ 86,485	\$ 89,910	\$ 3,425
Licenses and permits	41,100	41,100	53,162	12,062
State grants	210,000	210,000	230,738	20,738
Charges for services	8,000	8,000	13,971	5,971
Interest and rentals	12,500	12,500	33,933	21,433
Other	30,390	30,390	32,081	1,691
Total revenues	<u>388,475</u>	<u>388,475</u>	<u>453,795</u>	<u>65,320</u>
EXPENDITURES				
Legislative	<u>4,000</u>	<u>4,000</u>	<u>3,134</u>	<u>866</u>
General government:				
Supervisor	17,500	17,500	16,494	1,006
Election	9,000	9,000	4,703	4,297
Assessor	21,000	21,000	20,600	400
Clerk	25,500	25,500	23,273	2,227
Board of review	1,700	1,700	1,350	350
Treasurer	31,250	31,250	27,921	3,329
Hall and grounds	7,100	7,100	6,720	380
Cemetery	48,500	44,300	40,190	4,110
Other	116,577	106,077	74,162	31,915
Total general government	<u>278,127</u>	<u>263,427</u>	<u>215,413</u>	<u>48,014</u>
Public safety				
Fire	65,500	62,600	55,555	7,045
Building inspections	75,369	75,369	38,755	36,614
Total public safety	<u>140,869</u>	<u>137,969</u>	<u>94,310</u>	<u>43,659</u>
Public works:				
Highways and streets	44,500	44,500	43,375	1,125
Street lights	10,600	10,600	9,382	1,218
Total public works	<u>55,100</u>	<u>55,100</u>	<u>52,757</u>	<u>2,343</u>
Community and economic development - planning and zoning				
	<u>19,500</u>	<u>19,500</u>	<u>12,033</u>	<u>7,467</u>

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Recreation and culture - parks and recreation	<u>\$ 9,700</u>	<u>\$ 6,700</u>	<u>\$ 3,807</u>	<u>\$ 2,893</u>
Capital outlay	<u>42,853</u>	<u>63,453</u>	<u>45,689</u>	<u>17,764</u>
Debt service:				
Principal	<u>28,831</u>	<u>28,831</u>	<u>28,793</u>	<u>38</u>
Interest	<u>1,020</u>	<u>1,020</u>	<u>1,017</u>	<u>3</u>
Total debt service	<u>29,851</u>	<u>29,851</u>	<u>29,810</u>	<u>41</u>
Total expenditures	<u>580,000</u>	<u>580,000</u>	<u>456,953</u>	<u>123,047</u>
NET CHANGES IN FUND BALANCES	<u>(191,525)</u>	<u>(191,525)</u>	<u>(3,158)</u>	<u>188,367</u>
FUND BALANCES - BEGINNING	<u>739,042</u>	<u>739,042</u>	<u>739,042</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 547,517</u>	<u>\$ 547,517</u>	<u>\$ 735,884</u>	<u>\$ 188,367</u>

SUPPLEMENTARY INFORMATION

Township of Leroy
BALANCE SHEET - nonmajor governmental fund
March 31, 2007

	<u>Utility Fund</u>
ASSETS	
Cash	\$ 4,033
FUND BALANCE	
Unreserved, undesignated	\$ 4,033

Township of Leroy

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - *nonmajor governmental funds***

Year ended March 31, 2007

	<u><i>Utility Fund</i></u>
REVENUES	
Charges for services	\$ 2,019
Interest	<u>14</u>
NET CHANGE IN FUND BALANCES	2,033
FUND BALANCE - BEGINNING	<u>2,000</u>
FUND BALANCE - ENDING	<u><u>\$ 4,033</u></u>

**Members of the Township Board
Township of Leroy, Michigan**

In planning and performing our audit of the financial statements of the Township of Leroy 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 the Township of Leroy'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 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 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, and 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 the Township of Leroy, 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.

Siegfried Crandall P.C.

July 19, 2007