

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 Vevay Township	County Ingham
Fiscal Year End March 31, 2007	Opinion Date September 26, 2007	Date Audit Report Submitted to State September 26, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

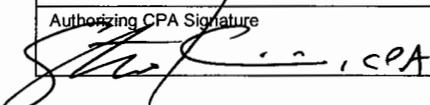
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

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 checked="" type="checkbox"/>			
Other (Describe)	<input checked="" type="checkbox"/>	N/A		
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517) 351-6836		
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI	Zip 48823
Authorizing CPA Signature 		Printed Name Steve Kirinovic		License Number 1101022020

**Township of Vevay
Ingham County, Michigan**

FINANCIAL STATEMENTS

March 31, 2007

Township of Vevay
Ingham County, Michigan
March 31, 2007
BOARD OF TRUSTEES

Ronald Weesies	Supervisor
Susan Kosier	Clerk
Linda Diamond	Treasurer
Douglas Shaw	Trustee
Dale Ruttan	Trustee

Township of Vevay
 Ingham County, Michigan
 TABLE OF CONTENTS
 March 31, 2007

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	i
MANAGEMENT'S DISCUSSION AND ANALYSIS	ii-iv
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds Balance Sheet	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	4
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Notes to Financial Statements	7-14
REQUIRED SUPPLEMENTARY INFORMATION	
GENERAL FUND	
Budgetary Comparison Schedule	15-17
OTHER SUPPLEMENTARY INFORMATION	
Schedule of Revenues and Expenditures - Construction Code	18
Combining Balance Sheet - Nonmajor Governmental Funds	19-20
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	21-22
Balance Sheet - Component Unit Fund	23
Statement of Revenues, Expenditures, and Change in Fund Balance - Component Unit Fund	24

Principals

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INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Township of Vevay
Mason, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, the discretely presented component unit, and the aggregate remaining fund information of the Township of Vevay, 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 the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, the discretely presented component unit, and the aggregate remaining fund information of the Township of Vevay, Michigan as of March 31, 2007, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Vevay's basic financial statements. The accompanying other supplementary information, as identified in the Table of Contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary 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.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 26, 2007

Township of Vevay

Management's Discussion and Analysis

March 31, 2007

The following is a discussion and analysis of the Township of Vevay (the Township's) financial performance and position, providing an overview of the activities for the year ended March 31, 2007. This analysis should be read in conjunction with the Independent Auditors Report and with the Township's financial statements, which follow this section.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2007:

- The Township reports \$803,891 as net assets of governmental activities, \$614,739 of which is unrestricted and available for future use.
- The Township continues to be debt free as of March 31, 2007.
- The fund balance of the Township's General Fund increased by \$31,874.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township of Vevay as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Township of Vevay in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

The Township as a Whole

The following table shows, in a condensed format, the net assets of the primary government as of March 31, 2006 and March 31, 2007.

	Years Ended March 31,	
	<u>2006</u>	<u>2007</u>
Assets		
Current assets	\$ 623,346	\$ 642,803
Capital assets	<u>201,922</u>	<u>189,152</u>
Total assets	825,268	831,955
Liabilities		
Current liabilities	<u>30,267</u>	<u>28,064</u>
Net Assets		
Invested in capital assets	201,922	189,152
Unrestricted	<u>593,079</u>	<u>614,739</u>
Total net assets	<u>\$ 795,001</u>	<u>\$ 803,891</u>

The Township's total net assets were \$803,891 at March 31, 2007. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$614,739 at the end of the fiscal year. The net assets invested in capital assets were \$189,152.

Township of Vevay

Management's Discussion and Analysis

March 31, 2007

The following table shows the changes in net assets of the primary government during the year ended March 31, 2006 and March 31, 2007.

	Years Ended March 31,	
	<u>2006</u>	<u>2007</u>
Revenue		
Program revenue:		
Charges for services	\$ 53,014	\$ 75,186
Capital grants and contributions	3,355	14,539
General revenues:		
Property taxes	196,864	206,271
State shared revenue	244,082	246,587
Investment earnings	15,749	16,407
Other	<u>8,769</u>	<u>5,271</u>
Total revenue	521,833	564,261
Program Expenses		
General government	261,325	350,432
Public safety	76,642	101,008
Public works	50,211	51,516
Community and economic development	23,373	52,415
Other	<u>95,731</u>	<u>-</u>
Total program expenses	<u>507,282</u>	<u>555,371</u>
Change in Net Assets	<u>\$ 14,551</u>	<u>\$ 8,890</u>

Governmental Activities

The Township's governmental revenues totaled \$564,261 with the greatest revenue source being state shared revenue, making up approximately 44 percent of total revenues. Property taxes make up approximately 37 percent of total governmental revenue. Over the past year, state shared revenue and interest income have both increased.

The Township incurred expenses of \$555,371 during the year. The majority of expenses are associated with the general government and public safety functions, which includes various general governmental activities, fire protection and building, zoning, and planning activities.

The Township's Funds

The analysis of the Township's major fund begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the General Fund, not the Township of Vevay as a whole. The Township of Vevay's Board of Trustees creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as property tax millages.

The General Fund pays for most of the Township's governmental services. The most significant services provided during the fiscal year were general governmental activities of \$273,741, and public safety related activities, which incurred expenditures of \$82,241 for the fiscal year. These activities are funded primarily through property taxes and State shared revenues.

Township of Vevay

Management's Discussion and Analysis

March 31, 2007

General Fund Budgetary Highlights

Over the course of the fiscal year, the Township Board made necessary budget adjustments to fund unanticipated expenditures during the year. Budget amendments were made to cover some minor changes in expenditures. However, because overall the Township came in under budget at year-end, there was an overall favorable variance of approximately \$69,464 from budget. This was mainly due to positive budget variances in several revenue line items and almost \$37,597 less in contracted services expended during 2006/07.

Capital Assets

At the end of the fiscal year, the Township had \$356,603 invested in capital assets, including the Township hall and grounds, and various machinery and equipment. There was \$167,451 in accumulated depreciation on these assets with a resulting investment in capital assets (net book value) of \$189,152. There were additions to capital assets in the current year of \$10,788 in various areas as detailed in Note C of the financial statements.

Current Economic Factors

Revenue sharing is the most significant budgetary concern at this time. The State of Michigan is experiencing significant budget problems, and as they look for solutions, revenue sharing continues to be under attack. The governor's proposed budget for the State's 2006/07 fiscal year calls for a reduction of 3 percent of total revenue sharing. This should mean reductions in revenue sharing for the Township of Vevay for 2007/08.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Clerk or Treasurer at the Township Hall at (517) 676-9523.

BASIC FINANCIAL STATEMENTS

Township of Vevay

STATEMENT OF NET ASSETS

March 31, 2007

	Primary Governmental Activities	Component Unit (DDA)
ASSETS		
Current assets		
Cash	\$ 257,926	\$ 357,912
Investments	322,199	-
Receivables	52,726	-
Due from other governmental units	9,952	-
Total current assets	642,803	357,912
Noncurrent assets		
Capital assets not being depreciated	22,500	-
Capital assets, net of accumulated depreciation	166,652	-
Total noncurrent assets	189,152	-0-
TOTAL ASSETS	831,955	357,912
LIABILITIES		
Current liabilities		
Accounts payable	3,500	-
Accrued liabilities	17,095	-
Due to other governmental units	7,469	-
TOTAL LIABILITIES	28,064	-0-
NET ASSETS		
Invested in capital assets	189,152	-
Unrestricted	614,739	357,912
TOTAL NET ASSETS	\$ 803,891	\$ 357,912

See accompanying notes to financial statements.

Township of Vevay
STATEMENT OF ACTIVITIES
Year Ended March 31, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Capital Grants and Contributions	Primary Governmental Activities	Component Unit
Primary government					
Governmental activities					
General government	\$ 350,432	\$ 41,357	\$ -	\$ (309,075)	\$ -
Public safety	101,008	23,382	-	(77,626)	-
Public works	51,516	9,547	14,539	(27,430)	-
Community and economic development	52,415	900	-	(51,515)	-
Total primary government	<u>\$ 555,371</u>	<u>\$ 75,186</u>	<u>\$ 14,539</u>	(465,646)	-0-
Component unit					
Downtown Development Authority	<u>\$ 16,374</u>	<u>\$ -</u>	<u>\$ -</u>	-	(16,374)
		General revenues			
		Property taxes		206,271	56,844
		State shared revenues		246,587	-
		Investment earnings		16,407	467
		Miscellaneous		5,271	-
		Total general revenues		<u>474,536</u>	<u>57,311</u>
				Change in net assets	8,890
				Net assets, beginning of the year	<u>795,001</u>
				Net assets, end of the year	<u>\$ 803,891</u>

See accompanying notes to financial statements.

Township of Vevay

GOVERNMENTAL FUNDS BALANCE SHEET

March 31, 2007

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 254,095	\$ 3,831	\$ 257,926
Investments	291,346	30,853	322,199
Receivables			
Accounts	7,953	10	7,963
Special assessments	40,986	3,777	44,763
Due from other governmental units	9,952	-	9,952
	<u>604,332</u>	<u>38,471</u>	<u>642,803</u>
TOTAL ASSETS	\$ 604,332	\$ 38,471	\$ 642,803
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 3,500	\$ -	\$ 3,500
Accrued liabilities	17,095	-	17,095
Due to other governmental units	7,469	-	7,469
Deferred revenue	36,306	-	36,306
	<u>64,370</u>	<u>-0-</u>	<u>64,370</u>
TOTAL LIABILITIES	64,370	-0-	64,370
FUND BALANCES			
Unreserved			
Undesignated, reported in			
General fund	539,962	-	539,962
Special revenue funds	-	38,471	38,471
	<u>539,962</u>	<u>38,471</u>	<u>578,433</u>
TOTAL FUND BALANCES	539,962	38,471	578,433
TOTAL LIABILITIES AND FUND BALANCES	\$ 604,332	\$ 38,471	\$ 642,803

See accompanying notes to financial statements.

Township of Vevay

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

March 31, 2007

Total fund balance - governmental funds \$ 578,433

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 356,603	
Accumulated depreciation is	<u>(167,451)</u>	
Capital assets, net		189,152

Long-term receivables are not available to pay for current period expenditures
and are therefore deferred in the funds. These consist of:

Deferred revenue		<u>36,306</u>
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Net assets of governmental activities \$ 803,891

See accompanying notes to financial statements.

Township of Vevay

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2007

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 215,115	\$ -	\$ 215,115
Licenses and permits	22,244	-	22,244
Intergovernmental	246,587	-	246,587
Charges for services	40,391	2,262	42,653
Interest and rents	16,875	975	17,850
Special assessments	15,248	2,434	17,682
Other	14,232	-	14,232
TOTAL REVENUES	570,692	5,671	576,363
EXPENDITURES			
Current			
General government	273,741	1,163	274,904
Public safety	82,241	-	82,241
Public works	39,311	2,620	41,931
Community and economic development	42,628	-	42,628
Other	100,897	-	100,897
TOTAL EXPENDITURES	538,818	3,783	542,601
NET CHANGE IN FUND BALANCES	31,874	1,888	33,762
Fund balances, beginning of year	508,088	36,583	544,671
Fund balances, end of year	<u>\$ 539,962</u>	<u>\$ 38,471</u>	<u>\$ 578,433</u>

See accompanying notes to financial statements.

Township of Vevay

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

Year Ended March 31, 2007

Net change in fund balances - total governmental funds **\$ 33,762**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 10,788	
Depreciation expense	<u>(12,565)</u>	
Excess of depreciation expense over capital outlay		(1,777)
Net effect of disposal of capital assets		(10,993)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

(Decrease) in deferred revenue		<u>(12,102)</u>
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Change in net assets of governmental activities **\$ 8,890**

See accompanying notes to financial statements.

Township of Vevay

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Township of Vevay, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Ingham County. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and two trustees and provides services in many areas including fire protection, roads, and planning service.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*; these financial statements present all financial activities of the Township of Vevay (primary government) and its component unit (Downtown Development Authority). The component unit described in Section 2 below is included in the Township's reporting entity because of the significance of the operational and financial relationship with the Township and is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government.

Based upon the application of these criteria, the financial statements of the Township of Vevay contain all the funds controlled by the Township Board.

2. Discretely Presented Component Unit

The component unit is reported in a separate column to emphasize that, while legally separate, the Township of Vevay remains financially accountable for this entity.

The governing body of the Downtown Development Authority is a nine (9) member board appointed by the Township Board. The Authority's budget is subject to the approval of the Township Board, and the Township temporarily relinquishes part of its tax base to the Authority (tax increment revenues).

3. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component unit as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component unit and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major funds and aggregated nonmajor funds. 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.

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

The major fund of the Township is the General Fund. It is the Township's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.

5. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for Agency Funds since assets equal liabilities.

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental and similar trust funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

7. Budgets and Budgetary Accounting

The General and Special Revenue Funds budgets shown in the financial statements were prepared on a basis not substantially different than the basis used to reflect actual results.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Supervisor submits to the Township Board the proposed operating budgets for the fiscal year commencing the following April 1. The operating budgets include proposed expenditures and resources to finance them.

Township of Vevay

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Budgets and Budgetary Accounting - continued

- b. A Public Hearing is conducted to obtain taxpayers' comments.
- c. Prior to April 1, the budget is legally adopted with passage by Board vote.
- d. The budget is legally adopted at the activity level for the General Fund and total expenditure level for the Special Revenue Funds; however, they are maintained at the account level for control purposes.
- e. The Township does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- f. Budgeted amounts are reported as originally adopted or as amended by the Township Board during the year. Individual amendments were not material to the originally adopted budget.

8. Cash and Investments

Cash consists of checking and money market savings accounts.

Investments consist of certificates of deposit with an original maturity of greater than 90 days. Investments are recorded at market value in accordance with the implementation of GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

9. Receivables

Receivables consist of amounts due from various individuals and businesses related to charges for services.

10. Due From Other Governmental Units

Due from other governmental units consists of amounts due from local units of government for property taxes collected that are still owed to the Township.

11. Property Tax

The Township of Vevay bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

The property taxes attach as an enforceable lien on property as of December 1. Taxes are levied December 1 and are payable through February 14. All property taxes not paid by February 14 are deemed delinquent. Delinquent real property taxes are turned over to the Ingham County Treasurer on March 1. The Ingham County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental service and additional amounts for debt service. For the year ended March 31, 2007, the Township levied .9161 mills per \$1,000 of assessed valuation for general governmental services. The total taxable value for the 2006 levy for property within the Township was \$119,729,705. The Township also receives property tax revenue as a result of Public Act 425 Agreements with the City of Mason. For the year ended March 31, 2007, the Township received \$48,320 from these agreements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

12. Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	40 years
Machinery, equipment, and furniture	5 - 15 years
Land improvements	40 years

13. Comparative Data

Comparative data for the prior year has not been presented in all funds in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

NOTE B: CASH AND INVESTMENTS

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Township of Vevay

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE B: CASH AND INVESTMENTS - CONTINUED

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

As of March 31, 2007, the carrying amounts and bank balances for each type of bank account are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking	\$ 224,659	\$ 345,442
Savings	33,067	33,067
Certificates of deposit	<u>322,199</u>	<u>323,388</u>
Total primary government	579,925	701,897
COMPONENT UNIT		
Checking	<u>357,912</u>	<u>303,058</u>
TOTAL REPORTING ENTITY	<u>\$ 937,837</u>	<u>\$ 1,004,955</u>

Deposits of the Township are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Township. As of March 31, 2007, the Township accounts were insured by the FDIC for \$400,853, and the amount of \$604,102 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash was substantially higher at these peak periods than at year-end.

The cash and investments referred to above have been reported in either the cash or investments captions on the statement of net assets and the balance sheet based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of March 31, 2007:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Total</u>
Cash	\$ 257,926	\$ 357,912	\$ 615,838
Investments	<u>322,199</u>	<u>-</u>	<u>322,199</u>
	<u>\$ 580,125</u>	<u>\$ 357,912</u>	<u>\$ 938,037</u>

The cash captions in the basic financial statements include \$200 in petty cash.

Township of Vevay

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of March 31, 2007, the Township did not have any investments that would be subject to rating.

Interest rate risk

The Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designing its portfolio with the objective of obtaining a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

Concentration of credit risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by designing its portfolio so that the investments will be diversified by security type and institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2007 was as follows:

	Balance <u>April 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>March 31, 2007</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 22,500	\$ -	\$ -	\$ 22,500
Capital assets being depreciated				
Land improvements	27,340	-	-	27,340
Buildings and improvements	247,198	-	-	247,198
Machinery and equipment	<u>74,129</u>	<u>10,788</u>	<u>(25,352)</u>	<u>59,565</u>
Total capital assets being depreciated	348,667	10,788	(25,352)	334,103
Less accumulated depreciation for:				
Land improvements	(342)	(684)	-	(1,026)
Buildings and improvements	(125,802)	(6,480)	-	(132,282)
Machinery and equipment	<u>(43,101)</u>	<u>(5,401)</u>	<u>14,359</u>	<u>(34,143)</u>
Total accumulated depreciation	<u>(169,245)</u>	<u>(12,565)</u>	<u>14,359</u>	<u>(167,451)</u>
Net capital assets being depreciated	<u>179,422</u>	<u>(1,777)</u>	<u>(10,993)</u>	<u>166,652</u>
Net capital assets	<u>\$ 201,922</u>	<u>\$(1,777)</u>	<u>\$(10,993)</u>	<u>\$ 189,152</u>

Depreciation expense was charged to the following governmental activities:

General government	<u>\$ 12,565</u>
--------------------	------------------

Township of Vevay

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE D: RISK MANAGEMENT

The Township participates in a pool, the Michigan Township Participating Plan with other municipalities for various risks of loss including liability, public officials' wrongful acts, equipment, valuable papers, boiler and machinery, bonding, crime, and property losses. The pool is organized under Public Act 138 of 1982, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to a special assessment to make up the deficiency. The Township has not been informed of any special assessments being required.

The Township also maintains commercial insurance coverage for workers' compensation.

NOTE E: RETIREMENT PLAN

Plan Description

The Township participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the Township. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees requires a contribution from the Township of 10.00% of gross wages for all covered employees.

Annual Pension Cost

For year ended March 31, 2007 the Township's annual pension cost of \$12,652 for the plan was equal to the Township's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry actual age cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation and increase of 0.00% to 8.40% attributable to merit and longevity (c) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of thirty years.

Three (3) year trend information

	Year Ended December 31,	
	<u>2005</u>	<u>2006</u>
Actuarial value of assets	\$ 141,828	\$ 197,104
Actuarial accrued liability (AAL) (entry age)	272,076	316,209
Unfunded AAL	130,248	119,105
Funded ratio	52 %	62 %
Covered payroll	121,313	125,499
UAAL as a percentage of covered payroll	107 %	95 %

Township of Vevay

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE E: RETIREMENT PLAN - CONTINUED

Three (3) year trend information - continued

	Year Ended March 31,	
	<u>2006</u>	<u>2007</u>
Annual pension cost	\$ 12,213	\$ 12,652
Percentage of APC contributed	100 %	100 %
Net pension obligation	-	-

This trend information was obtained from the MERS actuarial report as of December 31, 2006. Because the Township began participating in this retirement plan during the prior year, only two (2) year of data are available for disclosure. Future years will show up to three (3) years of such data.

NOTE F: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Section 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's budgeted expenditures in the General and Special Revenue Funds have been shown at the functional classification level. The approved budgets of the Township have been adopted at the activity level.

During the year ended March 31, 2007, the Township incurred expenditures in the General Fund and Special Revenue funds in excess of the amounts appropriated as follows:

	<u>Amounts</u> <u>Appropriated</u>	<u>Amounts</u> <u>Expended</u>	<u>Variance</u>
General Fund			
General government			
Supervisor	\$ 26,650	\$ 29,619	\$ 2,969
General administration	5,325	36,828	31,503
Elections	-	1,819	1,819
Public safety			
Police department	5,600	6,318	718
Other			
Health and life insurance	30,120	30,210	90
Miscellaneous	850	1,298	448
Special Revenue Funds			
Bullen Estates Street Lighting Fund	1,200	1,291	91

REQUIRED SUPPLEMENTARY INFORMATION

Township of Vevay

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2007

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes				
Current property taxes	\$ 140,000	\$ 155,000	\$ 153,928	\$ (1,072)
Delinquent property taxes	12,000	12,000	7,870	(4,130)
Penalties and interest	5,100	12,600	8,845	(3,755)
Trailer park taxes	1,400	1,400	369	(1,031)
Administration fees	40,000	40,000	44,103	4,103
Total taxes	198,500	221,000	215,115	(5,885)
Licenses and permits				
Building/zoning permits	16,000	16,000	9,397	(6,603)
Sewer connection fees	200	200	-	(200)
Special use permits	500	500	150	(350)
Cable television franchise fees	7,750	7,750	7,953	203
Miscellaneous fees and permits	5,700	5,700	4,744	(956)
Total licenses and permits	30,150	30,150	22,244	(7,906)
Intergovernmental				
State shared revenue	203,500	247,500	246,587	(913)
Charges for services				
Land division fees	500	500	400	(100)
Board of appeals fees	750	750	500	(250)
Tax collection fees	1,000	1,000	9,742	8,742
Rezoning fees	500	500	500	-0-
Cemetery lots and grave openings	2,300	2,300	2,100	(200)
Fire runs	23,000	23,000	23,382	382
Miscellaneous	2,100	2,100	3,767	1,667
Total charges for services	30,150	30,150	40,391	10,241
Interest and rents				
Interest	7,000	12,800	7,075	(5,725)
Rentals	12,000	13,375	9,800	(3,575)
Total interest and rents	19,000	26,175	16,875	(9,300)
Special assessments				
Current special assessment	3,000	3,000	12,105	9,105
Delinquent special assessment	-	-	3,143	3,143
Total special assessments	3,000	3,000	15,248	12,248

Township of Vevay

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2007

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES - CONTINUED				
Other				
Miscellaneous	\$ 500	\$ 500	\$ 13,605	\$ 13,105
Reimbursements	2,125	2,275	627	(1,648)
Total other	2,625	2,775	14,232	11,457
TOTAL REVENUES	486,925	560,750	570,692	9,942
EXPENDITURES				
General government				
Township board	30,400	41,200	33,148	8,052
Supervisor	26,650	26,650	29,619	(2,969)
Clerk	40,900	40,900	40,260	640
Treasurer	36,000	37,750	36,871	879
Assessor	34,100	34,100	31,206	2,894
Township hall	36,800	66,800	61,714	5,086
General administration	4,600	5,325	36,828	(31,503)
Board of review	2,650	2,650	2,141	509
Cemetery	800	800	135	665
Elections	-	-	1,819	(1,819)
Total general government	212,900	256,175	273,741	(17,566)
Public safety				
Fire department	74,000	74,000	67,293	6,707
Police department	5,600	5,600	6,318	(718)
Building inspector	17,000	17,000	8,630	8,370
Total public safety	96,600	96,600	82,241	14,359
Community and economic development				
Zoning commission	1,960	1,960	1,755	205
Planning commission	41,350	41,350	40,873	477
Total community and economic development	43,310	43,310	42,628	682
Public works				
Highways	30,000	30,000	28,038	1,962
Sanitation	5,300	7,600	5,586	2,014
Drains	4,000	5,700	5,687	13
Total public works	39,300	43,300	39,311	3,989

Township of Vevay

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2007

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES - CONTINUED				
Other				
Pension contributions	\$ 25,000	\$ 27,670	\$ 13,324	\$ 14,346
Social security	12,000	12,000	11,345	655
Contracted services	43,100	54,315	16,718	37,597
Insurance	32,000	32,000	28,002	3,998
Health and life insurance	15,500	30,120	30,210	(90)
Miscellaneous	850	850	1,298	(448)
Total other	<u>128,450</u>	<u>156,955</u>	<u>100,897</u>	<u>56,058</u>
TOTAL EXPENDITURES	<u>520,560</u>	<u>596,340</u>	<u>538,818</u>	<u>57,522</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(33,635)	(35,590)	31,874	67,464
OTHER FINANCING (USES)				
Transfers out	<u>(2,000)</u>	<u>(2,000)</u>	<u>-</u>	<u>2,000</u>
NET CHANGE IN FUND BALANCE	(35,635)	(37,590)	31,874	69,464
Fund balance, beginning of year	<u>508,088</u>	<u>508,088</u>	<u>508,088</u>	<u>-0-</u>
Fund balance, end of year	<u><u>\$ 472,453</u></u>	<u><u>\$ 470,498</u></u>	<u><u>\$ 539,962</u></u>	<u><u>\$ 69,464</u></u>

OTHER SUPPLEMENTARY INFORMATION

Township of Vevay

General Fund

SCHEDULE OF REVENUES AND EXPENDITURES - CONSTRUCTION CODE

Year Ended March 31, 2007

REVENUES

Licenses and permits	
Building and zoning permits	\$ 9,397

EXPENDITURES

Public safety	
Building inspector	8,630
Community and economic development	
Planning and zoning commissions	<u>42,628</u>
 Total construction code expenditures	 <u>51,258</u>
 Excess of revenues (under) expenditures	 <u><u>\$ (41,861)</u></u>

Township of Vevay
 Nonmajor Governmental Funds
 COMBINING BALANCE SHEET
 March 31, 2007

	Special Revenue		
	Eden Street Lighting	Lone Oak Street Lighting	Bullen Estates Street Lighting
ASSETS			
Cash	\$ -	\$ -	\$ -
Investments	-	-	-
Receivables	993	1,337	1,447
TOTAL ASSETS	\$ 993	\$ 1,337	\$ 1,447
LIABILITIES AND FUND BALANCES			
LIABILITIES	\$ -	\$ -	\$ -
FUND BALANCES			
Unreserved - undesignated	993	1,337	1,447
TOTAL LIABILITIES AND FUND BALANCES	\$ 993	\$ 1,337	\$ 1,447

<u>Funds</u>	
<u>Hawley Cemetery</u>	<u>Total</u>
\$ 3,831	\$ 3,831
30,853	30,853
10	3,787
<u>\$ 34,694</u>	<u>\$ 38,471</u>
\$ -	\$ -0-
<u>34,694</u>	<u>38,471</u>
<u>\$ 34,694</u>	<u>\$ 38,471</u>

Township of Vevay

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

Year Ended March 31, 2007

	Special Revenue		
	Eden Street Lighting	Lone Oak Street Lighting	Bullen Estates Street Lighting
REVENUES			
Charges for services	\$ -	\$ -	\$ -
Special assessments	570	769	1,095
Interest and rents	-	-	-
TOTAL REVENUES	570	769	1,095
EXPENDITURES			
Current			
General government	-	-	-
Public works	574	755	1,291
TOTAL EXPENDITURES	574	755	1,291
NET CHANGE IN FUND BALANCES	(4)	14	(196)
Fund balances, beginning of year	997	1,323	1,643
Fund balances, end of year	<u>\$ 993</u>	<u>\$ 1,337</u>	<u>\$ 1,447</u>

<u>Funds</u>			
<u>Hawley Cemetery</u>		<u>Total</u>	
\$ 2,262		\$ 2,262	
-		2,434	
<u>975</u>		<u>975</u>	
3,237		5,671	
1,163		1,163	
<u>-</u>		<u>2,620</u>	
<u>1,163</u>		<u>3,783</u>	
2,074		1,888	
<u>32,620</u>		<u>36,583</u>	
<u>\$ 34,694</u>		<u>\$ 38,471</u>	

Township of Vevay

Component Unit

BALANCE SHEET

March 31, 2007

	<u>Downtown Development Authority</u>
ASSETS	
Cash	<u>\$ 357,912</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	\$ -
FUND BALANCE	
Unreserved - undesignated	<u> 357,912</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 357,912</u>

Note: Reconciliation of the component unit governmental fund balance sheet to the statement of net assets for the component unit is not required as the component unit fund balance were equal to the component unit net assets as of March 31, 2007.

Township of Vevay

Component Unit

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE

Year Ended March 31, 2007

	<u>Downtown Development Authority</u>
REVENUES	
Taxes	\$ 56,844
Interest	<u>467</u>
TOTAL REVENUES	57,311
EXPENDITURES	
Community and economic development	<u>16,374</u>
NET CHANGE IN FUND BALANCE	40,937
Fund balance, beginning of year	<u>316,975</u>
Fund balance, end of year	<u><u>\$ 357,912</u></u>

Note: Reconciliations of the statement of revenues, expenditures, and change in fund balance of the component unit governmental fund to the statement of activities for the component unit is not required as the net change in fund balance of the component unit governmental fund was equal to the change in net assets of the component unit for the year ended March 31, 2007.

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

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MANAGEMENT LETTER

To the Members of the Township Board
Township of Vevay
Mason, Michigan

As you know, we have recently completed our audit of the records of the Township of Vevay as of and for the year ended June 30, 2007. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. This suggestion is a result of our evaluation of the internal control structure and our discussions with management.

1. Pay rates should agree with Board approved amounts.

During the course of our audit, we noted that one employee was not being paid the board approved rate. For a portion of the year, the employee was paid less than the board approved rate. For another portion of the year, the employee was paid more than the board approved rate. All employees should be paid the rate they are approved by the Township Board.

We suggest that the Township regularly examine and verify that all employees are being paid the Board approved pay rate. A regular examination will help strengthen internal controls already in place at the Township.

This condition was considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements, and this report does not affect our report on the basic financial statements dated September 26, 2007.

This report is intended solely for the information and use of the Township Board of the Township of Vevay, and should not be used for any other purpose.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 26, 2007

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS**

To the Members of the Township Board
Township of Vevay
Mason, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Vevay as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated September 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Vevay's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

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 over financial reporting that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control over financial reporting, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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

2007-1 PREPARATION OF FINANCIAL STATEMENTS

Governmental entities are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Responsibility for the financial statements of the Township rests with the Township's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

It has historically been common for many small to medium-sized governments to rely on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, a government's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal controls.

2007-1 PREPARATION OF FINANCIAL STATEMENTS - CONTINUED

The condition noted in the preceding paragraph exists at Vevay Township. The cause for this condition is simply because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

As a result of this condition, the employees and/or management do not possess the qualifications necessary to prepare the Township's annual financial statements and notes to the financial statements in accordance with GAAP. The Township relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP.

We recommend the Township consider obtaining the proper training for the appropriate staff members to assure that they are able to fully understand what goes into the preparation of the annual audited financial statements and so that they can take responsibility for the preparation of the annual audited financial statements, assure there are no material misstatements, and assure there are appropriate disclosures in accordance with accounting principles generally accepted in the United States of America.

2007-2 FRAUD RISK MANAGEMENT PROGRAM

During the course of our audit, we noted that the Township has not developed or implemented a fraud risk management program. Management is responsible for the detection and prevention of fraud, misappropriations, and other inappropriate conduct. Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury. Each member of the management team should be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity.

Due to the Township not developing a fraud risk assessment and monitoring program it is unable to assess the Township's vulnerabilities to fraudulent activity and whether any of those exposures could result in material misstatement of the financial statements.

We recommend that the Township develop and formally implement a fraud risk management program that is appropriate to the size and complexity of the Township. Such a fraud risk management program may involve actively searching for fraudulent transactions through the use of techniques such as data mining, but should also include informing management and employees as to the nature of fraud and actions expected to be taken if fraud is suspected. This would include publishing a definition of fraud, a statement that fraud will not be tolerated within the Township, and instructions for reporting fraud within the chain of command.

2007-3 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Material journal entries to properly account for transactions that occurred during the year were proposed by the auditors. These misstatements were not detected by the Township's internal control over financial reporting. Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (when applicable), including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. The auditor cannot be a part of internal controls.

We recommend that the Township take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the deficiencies identified above as 2007-1 and 2007-3 to be material weaknesses in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance:

2007-4 EXPENDITURES IN EXCESS OF APPROPRIATIONS

During the course of our audit, we noted instances where expenditures had been incurred in excess of amounts appropriated. This issue was noted in the General Fund and the Bullen Estates Street Lighting Fund. This issue was noted and reported in our audit comments last year.

Michigan Public Act 621 of 1978, as amended, provides that the Board shall adopt formal budgets for the General and all Special Revenue funds and shall not incur expenditures in excess of the amounts appropriated. The budget must include all anticipated expenditures and the related revenue and fund equity to fund these expenditures.

We recommend that the Township Board monitor adopted budgets against actual expenditures and make adjustments as appropriate throughout the year.

We noted certain matters that we reported to management of the Township Board in a separate letter dated September 26, 2007.

This report is intended solely for the information and use of management and Township Board of the Township of Vevay, others within the organization, and applicable departments of the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY P.C.
Certified Public Accountants

September 26, 2007