

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 LYONS TOWNSHIP	County IONIA
Fiscal Year End MARCH 31, 2007	Opinion Date JULY 18, 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).

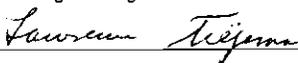
US NO

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 type="checkbox"/>		
Certified Public Accountant (Firm Name) LAWRENCE TIEJEMA, PC		Telephone Number 616-642-0384	
Street Address 31 EAST MAIN STREET		City SARANAC	State MI
			Zip 48881
Authorizing CPA Signature 		Printed Name LAWRENCE TIEJEMA	
		License Number 1101026843	

LYONS TOWNSHIP

TABLE OF CONTENTS

MARCH 31, 2007

	<u>Page</u>
Independent Auditor's Report	1 – 2
Management Discussion and Analysis	3 – 8
Basic Financial Statements:	
Government-wide Financial Statement	
Statement of Net Assets.....	9
Statement of Activities.....	10 – 11
Fund Financial Statements	
Balance Sheet – Government Funds.....	12
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets.....	12
Statement of Revenues, Expenditures, and Changes In Fund Balance – Governmental Funds.....	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities.....	13
Fiduciary Funds:	
Statements of Net Assets.....	14
Statements of Changes in Net Assets.....	15
Notes to the Financial Statements.....	16 – 28
Supplementary Information:	
Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (detail):	
General Fund.....	31-32
Building, Fire Equipment, and Telecommunications funds..	34-37
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit Of Financial Statements Performed in Accordance with Government Auditing Standards.....	38-39

Lawrence Tiejema, PC
Certified Public Accountant
31 East Main St PO Box 10
Saranac, MI 48881
Phone: 616-642-0384
Fax: 616-642-0610
Email: tiej@iserv.net

INDEPENDENT AUDITOR'S REPORT

July 18, 2007

The Township Board
Lyons Township
Ionia County, Michigan

I have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of Lyons Township, Ionia County, 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. My responsibility is to express opinions on these financial statements based on my audit.

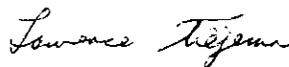
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform 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 overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information of Lyons Township, as of March 31, 2007, and the respective changes in financial position, and the budgetary comparison for all major funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated July 18, 2007, on my consideration of Lyons Township's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis on pages 3 to 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lyons Township's basic financial statements. The governmental schedules have been subjected to auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.



Lawrence Tiejema, PC.

July 18, 2007

Management Discussion and Analysis

Lyons Township successfully faced many challenges during year 2006-2007. Fire equipment, the township building, and township computer equipment were updated while the Township was dealing with a state reassessment requirement. The net assets of Lyons Township continue to exceed the amount needed to fund one year's operating expenses.

Financial Highlights

- (1) A new tanker was built for the Lyons Muir Fire Department at a cost of \$32,763. The old tank was sold for scrap and brought \$600.
- (2) An expenditure of \$1,894 was made for a Gateway computer of the Clerk that was purchased at an earlier time.
- (3) The Township received 4 regular voting machine tabulators and 3 Auto Mark voter assist terminals from a federal election grant. The value of this equipment is \$40,416.
- (4) The Township approved the upgrading of the roads in Lyons Cemetery with the spreading of millings at a cost of \$3,750.
- (5) The entrance and stairs of the township's building were improved and remodeling and painting were done to the upstairs apartments during the year ended March 31, 2007. The stairway was improved, a railing was added, and a door was upgraded at a cost of \$1,190 while the apartment's remodeling cost was \$10,760.
- (6) The Township approved a property tax reassessment bid of \$65,000 for the reassessment required by the State of Michigan.
- (7) The Township transferred \$6,000 from the Telecom Fund to the General Fund. The amount of \$4,997 was used to pay for the County of Ionia bid to cut brush on Wager Road.

Management Discussion and Analysis

Lyons Township successfully faced many challenges during year 2006-2007. Fire equipment, the township building, and township computer equipment were updated while the Township was dealing with a state reassessment requirement. The net assets of Lyons Township continue to exceed the amount needed to fund one year's operating expenses.

Financial Highlights

- (1) A new tanker was built for the Lyons Muir Fire Department at a cost of \$32,763. The old tank was sold for scrap and brought \$600.
- (2) A new Gateway computer was purchased for the ^{Clerk}Treasurer at a cost of \$1,894. The new computer increases the efficiency of the township's two tax collections.
- (3) The Township received 4 regular voting machine tabulators and 3 Auto Mark voter assist terminals from a federal election grant. The value of this equipment is \$40,416.
- (4) The Township approved the upgrading of the roads in Lyons Cemetery with the spreading of millings at a cost of \$3,750.
- (5) The entrance and stairs of the township's building were improved and remodeling and painting were done to the upstairs apartments during the year ended March 31, 2007. The stairway was improved, a railing was added, and a door was upgraded at a cost of \$1,190 while the apartment's remodeling cost was \$10,760.
- (6) The Township approved a property tax reassessment bid of \$65,000 for the reassessment required by the State of Michigan.
- (7) The Township transferred \$6,000 from the Telecom Fund to the General Fund. The amount of \$4,997 was used to pay for the County of Ionia bid to cut brush on Wager Road.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *statement of net assets* presents information on all the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Township governments may have activities that are intended to recover all or a significant portion of their costs through user fees and charges. Lyons Township has no such activities. All financial resources and expenditures are maintained in the township's governmental funds. The township also has a tax agency fund which collects real and personal property taxes and disburses these tax revenues to the appropriate governmental units including Lyons Township's general fund. Through its general fund, Lyons Township provides for general government, public safety, public works, and cemetery. The government-wide financial statements can be found on pages 9-11 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Lyons Township has two fiduciary funds, the Tax Agency Fund and the Cemetery Perpetual Care Expendable Trust Fund.

The basic fiduciary fund statements for the Tax Agency Fund and Cemetery Perpetual Care Expendable Trust Fund can be found on pages 14 and 15 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund statements. The notes to the financial statements can be found on pages 16-28 of this report.

Lyons Township's Net Assets

	Governmental Activities	
	Year ended March 31, 2007	
	<hr/>	
Current and other assets	\$	360,891
Capital assets		403,900
		<hr/>
Total assets		764,791
Long-term liabilities outstanding		-
Other liabilities		14,980
		<hr/>
Total liabilities		14,980
		<hr/>
Net assets:		
Invested in capital assets, net of related debt		403,900
Restricted assets		-
Unrestricted assets		345,911
		<hr/>
Total net assets	\$	749,811
		<hr/>

The current assets of Lyons Township consist of checking accounts, savings accounts, certificates of deposit, pre-payments, and receivables. These current assets include checking accounts, savings accounts, and CD's with a total balance of \$335,558. This compares favorably with the Township's total operating expenses of \$340,349 for the 2006-07 year. The remaining current assets consist of property taxes receivable and prepaid insurance expenses.

Township liabilities are expenses of the 2006-07 year that are paid during the next year. Of the \$14,980 in current liabilities, the largest amount is \$7,418 of pension expense for township officers. The Township does not have any loans and installment debt outstanding.

Lyons Township's Changes in Net Assets

	<u>Governmental Activities</u>
	<u>Year ended March 31, 2007</u>
Revenue:	
Program revenue	
Charges for services	79,653
General revenue:	
Property taxes	116,989
State sources	109,700
Grants and donations	42,516
Other income	8,511
General revenue	<u>277,716</u>
Total revenue	357,369
Expenses:	
General government	94,485
Legislative	27,138
Public safety	146,635
Public works	59,815
Cemetery	12,276
	<u>340,349</u>
Increase (decrease) in net assets	<u>17,020</u>
Net assets - beginning of the year	<u>732,791</u>
Net assets - end of the year	<u>749,811</u>

Lyons Township charges for several services that it provides to its citizens, other organizations, and other governments like townships and villages. Of the \$79,653 received for these services in the year ended March 31, 2007, the major contributions were \$49,536 for fire, first responder, and ambulance reimbursements and \$24,383 in rental payments. The state sources of revenue come from property taxes and road right-of-way. The township received \$106,304 in property taxes. For the year that ended March 31, 2007, the township received a federal grant for voting machines that have a value of \$40,416 and \$2,100 from the DNR for fire equipment.

The general government costs for township officers, assessing, voting, and elections rose just 2.1% from last year, but legislative costs of trustee compensation, insurance, board of review, utilities, and depreciation on the new voting machines went up 37.1%. In addition, spending on roads and drains increased \$27,000 over the prior year. In fact, the township's expenses were higher than its cash revenue for the year ended March 31, 2007, but since most of the improvements can be expensed (or depreciated) over several years, the township shows a net income of \$17,020 for 2006-07.

Lyons Township's Capital Assets

Governmental Activities	
Year ended March 31, 2007	
Land	\$5,000
Building and improvements	37,392
Cemetery improvements	3,625
Township office and voting equipment	41,430
Fire equipment	316,453
	\$403,900
Total Capital Assets	\$403,900

The Township invested in future equipment that will increase service and efficiency. A new tanker was provided to the Lyons Muir Fire Department for \$32,763 and turn-out gear was purchased for both Lyons Muir and Pewamo Fire Departments for \$12,316. The township building had upgrades costing \$11,950, and the township's new voting machines were covered by a federal grant of \$40,416.

Lyons Townships – Challenges of the Coming Year

Lyons Township is facing several challenges during the coming year. Prior planning and an adequate fund balance helps us to meet these challenges. When the State of Michigan reviewed the property tax assessments of Lyons Township, inconsistencies on some assessed properties were noted. To correct this situation, the township will be reassessing all properties over a 5-year period at an extra annual cost of \$13,000. Our township has reserved adequate funds to take care of its township building, an older structure that requires constant attention. In addition, the township has needed to spend increasing amounts on the upkeep of its roads, even though this is a responsibility of the Ionia County Road Commission. Adequate financial reserves, however, will help our township to meet all these challenges and provide quality services to its citizens.

LYONS TOWNSHIP
STATEMENT OF NET ASSETS

March 31, 2007

	Governmental Activities
Assets	
Cash and deposits	\$ 335,558
Receivables	
Due from other funds	1,519
Prepaid expenses	15,497
Taxes receivable	8,317
Capital assets, net of accumulated depreciation	403,900
Total Assets	764,791
Liabilities	
Accounts payable	13,286
Rental deposits	1,694
Total Liabilities	14,980
Net Assets	
Invested in capital assets, net of related debt	403,900
Unrestricted net assets	345,911
Total net assets	\$ 749,811

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

LYONS TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2007

<u>Functions/ Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Capital Grants</u>	<u>Net (Expense) Revenues</u>
		<u>Charges for Service</u>		
Primary government				
Governmental activities:				
General government	\$ 94,485	\$ 24,383	\$ -	\$ (70,102)
Legislative	27,138	2,341	40,416	\$ 15,619
Public safety	146,635	51,486	\$ 2,100	\$ (93,049)
Public works	59,815	-	-	\$ (59,815)
Cemetery	12,276	1,443	-	\$ (10,833)
Total government activities	<u>\$ 340,349</u>	<u>\$ 79,653</u>	<u>\$ 42,516</u>	<u>\$ (218,180)</u>

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

(continued)

LYONS TOWNSHIP
STATEMENT OF ACTIVITIES (CONCLUDED)
FOR THE YEAR ENDED MARCH 31, 2007

	<u>Governmental</u> <u>Activities</u>
Changes in net assets	
Net (expense) revenue	\$ (218,180)
General revenues:	
Property taxes	116,989
State revenues	109,700
Investment earnings	7,431
Other Income	<u>1,080</u>
Total general revenues	<u>235,200</u>
Change in net assets	17,020
Net assets, beginning of year	<u>732,791</u>
Net assets, end of year	<u><u>\$ 749,811</u></u>

(concluded)

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

**LYONS TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2007**

ASSETS	GENERAL FUND	BUILDING FUND	FIRE EQUIP FUND	OTHER FUND	TOTAL
Cash and deposits	\$ 286,276	\$ 38,244	\$ 10,332	\$ 706	\$ 335,558
Receivables:					
Due from other funds	1,519	-	-	-	1,519
Taxes receivable	8,317	-	-	-	8,317
Prepaid expenses	13,948	1,549	-	-	15,497
TOTAL ASSETS	310,060	39,793	10,332	706	360,891
LIABILITIES AND FUND BALANCE					
LIABILITIES:					
Accounts payable and accrued expenditures:					
Accounts payable	12,947	339	-	-	13,286
Rent deposits	-	1,694	-	-	1,694
TOTAL LIABILITIES	12,947	2,033	-	-	14,980
FUND BALANCE					
Undesignated	297,113	37,760	10,332	706	345,911
TOTAL LIABILITIES AND FUND BALANCE	\$ 310,060	\$ 39,793	\$ 10,332	\$ 706	\$ 360,891

**RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR
GOVERNMENTAL FUNDS TO NET ASSETS OF THE GOVERNMENTAL
ACTIVITIES ON THE STATEMENT OF NET ASSETS**

Fund balance -- total governmental funds.....	\$ 345,911
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Add -- capital assets.....	935,659
Deduct -- accumulated depreciation.....	(531,759)
Net assets of governmental activities.....	\$ 749,811

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

LYONS TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED MARCH 31, 2007

	GENERAL FUND	BUILDING FUND	FIRE EQUIP FUND	OTHER FUND	TOTAL
REVENUES:					
Property taxes	\$ 116,989				\$ 116,989
State sources	106,304	-	-	3,396	109,700
Charges for services	53,320	24,383	1,950	-	79,653
Interest	6,584	779	47	21	7,431
Capital grants	40,416	-	2,100	-	42,516
Other	763	317	-	-	1,080
Transfer from other funds	12,894	-	47,579	-	60,473
TOTAL REVENUES	337,270	25,479	51,676	3,417	417,842
EXPENDITURES:					
General government	78,662	24,543	-	-	103,205
Legislative	68,568	-	-	-	68,568
Public safety	102,757	-	45,079	-	147,836
Public works	59,815	-	-	-	59,815
Cemetery	15,901	-	-	-	15,901
Transfers to other funds	45,079	4,394	5,000	6,000	60,473
TOTAL EXPENDITURES	370,782	28,937	50,079	6,000	455,798
REVENUES OVER EXPENDITURES	(33,512)	(3,458)	1,597	(2,583)	(37,956)
NET CHANGE IN FUND BALANCES	(33,512)	(3,458)	1,597	(2,583)	(37,956)
FUND BALANCE, BEGINNING OF YEAR	330,625	41,218	8,735	3,289	383,867
FUND BALANCE, END OF YEAR	\$ 297,113	\$ 37,760	\$ 10,332	\$ 706	\$ 345,911

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND
BALANCES OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES**

Net change in fund balances -- total government funds.....	(37,956)
Government funds expense capital outlays in the current year while the Statement of Net Assets allocates them over useful life:	
Add -- Capital Assets acquired and expensed by depreciation	104,567
Deduct - depreciation expense.....	(49,591)
Change in net assets of government activities.....	17,020

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

LYONS TOWNSHIP
FIDUCIARY FUNDS
STATEMENT OF NET ASSETS

MARCH 31, 2007

	Cemetery Perpetual Care Expendable Trust Fund		Tax Collection Fund
ASSETS:			
Cash and cash equivalents	\$ -		\$ 51,031
Due from other governmental units	19,605		8,317
Total assets	19,605		59,348
LIABILITIES:			
Due to other funds	-		9,836
Due to other governmental units	-		49,512
Total liabilities			59,348
NET ASSETS			
Held in trust for other purposes	\$ 19,605		\$ -

LYONS TOWNSHIP

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN NET ASSETS

MARCH 31, 2007

	<u>CEMETERY PERPETUAL CARE EXPENDABLE TRUST FUND</u>	<u>TAX COLLECTION FUND</u>
ADDITIONS:		
Property tax collections and fees	\$ -	\$ 1,949,696
Interest earned	691	404
Total additions	<u>691</u>	<u>1,950,100</u>
DEDUCTIONS:		
Payments to general fund	691	115,825
Payments to other governmental units	-	1,831,452
Transfers out	-	-
Total deductions	<u>\$ 691</u>	<u>\$ 1,947,277</u>

LYONS TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lyons Township was organized on March 11, 1837, under the applicable laws of the State of Michigan. The Township is governed by a Board of Trustees which consists of Supervisor, Clerk, Treasurer, and two Trustees, and provides the following services: public safety (fire, ambulance), road maintenance, cemetery, public improvements, and general administrative services.

The financial statements of the Township have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below:

The Reporting Entity

As required by generally accepted accounting principles, these financial statements present a financial report on all funds of Lyons Township.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from 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. Lyons Township has no business-type activities or funds.

LYONS TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Agency funds follow the accrual basis of accounting and they do not follow a measurement focus because they do not report the results of operations (assets equal liabilities). Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures in the current period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Township. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

LYONS TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are considered to be available when all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and compensated absences expenditures are recorded only when payment is due.

Fund Accounting

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity or net assets, revenues, and expenditures or expenses, as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The Township reports the following major government funds:

General Fund – This fund is the Township’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Building Fund – This fund is used to account for rental income and expenses of the building that houses the township hall and other commercial clients.

Fire Equipment Fund – This fund is used to account for revenue donated and earned for the purchase and repair of fire fighting equipment.

LYONS TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

Telecommunications Fund – This fund accounts for revenue received from telecommunications providers for using the road right-of-ways in Lyons Township.

Additionally, the Township reports the following fiduciary fund types:

Tax Agency Fund – This fund is used to account for property tax collections from real and personal property owners in Lyons Township, and the fund's disbursements to the applicable government entities and agencies.

Cemetery Perpetual Care Fund – This fund represents a reserve for the maintenance of the Township's cemeteries.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide 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 government has elected not to follow subsequent private-sector guidance in the Statement of Net Assets and the Statement of Activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Budgets and Budgetary Accounting

Annual budgets are adopted for the general fund and special revenue funds on a basis consistent with generally accepted accounting principles (GAAP). The Township follows these procedures in establishing the budgetary data which is reflected in the financial statements:

1. The budgets are generated with input from various department heads, the township supervisor, clerk, treasurer, and township trustees.

LYONS TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

2. Public hearings are conducted to obtain taxpayer comments and recommendations. The operating budgets include proposed expenditures and the means of financing them.
3. The budget is legally enacted through the passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all budgeted funds.
5. Budget appropriations lapse at fiscal year-end.
6. Adoption and amendments of all budgets used by the Township are governed by Public Act 621. Expenditures may not exceed appropriations at the functional level for all funds (the legal level of budgetary control). The appropriations resolutions are based on the projected expenditure budgets by function. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any department must be approved by the Township Board.
7. Budgeted amounts are as originally adopted, or as amended by the Township Board.
8. Encumbrance accounting is not utilized.

Investments

Investments are stated at fair value.

Restricted Assets

Certain proceeds may be set-aside or restricted for the repayment of debt obligations, a planned capital project, or for any other special purpose. Lyons Township has no restrictions on its net assets.

LYONS TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2007

Due To and Due From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental funds in the government-wide financial statements. The Township does not currently own infrastructure (roads, tunnels, bridges, etc.) Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such 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 market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation on the capital assets of the primary government is computed using the straight-line method over the following estimated useful lives:

	<u>Depreciable Life-Years</u>
Building and structures.....	10 – 40
Furniture and equipment.....	5 – 15
Building and lot improvements.....	15
Trucks and vehicles.....	5-20
Machinery and equipment.....	5 – 20

LYONS TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

Property Taxes

Property taxes for the Township are attached as an enforceable lien on property as of December 1 of each year. The December 1 levy is recorded as revenue during the current fiscal year, and is intended to fund expenditures of the current year. Taxes are levied December 1 and are due without penalty on or before February 14. These winter tax bills include the Township's own property taxes and taxes billed on behalf of the school districts and other entities in Ionia County; summer taxes are collected for the school districts and the County of Ionia. Real property taxes not collected are returned to the County for collection, which advances the Township 100% for the delinquent taxes for real property. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer.

Fund Equity

In the fund 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 restricted net assets equal to restricted assets less related liabilities. The general fund of Lyons Township has no reservation or designations of its \$345,911 governmental funds equity.

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2007, the Township was covered by a liability and property insurance policy in the Michigan Township Participating Plan through Liberty Group of Kalamazoo, Michigan.

The insurance limitations are: Property, \$771,000; Liability, \$3,000,000; Wrongful acts, \$2,000,000; and Automobile, \$1,000,000. In addition, the Township has inland marine and crime coverage.

LYONS TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

2. CASH AND DEPOSITS AND INVESTMENTS

The cash and deposits, investments and restricted assets for the Township and its component unit are as follows:

Deposits:	Governmental Funds	Tax Agency Fund	Total
Cash and deposits	\$250,589	\$51,031	\$301,620
Investments	84,969	-	84,969
TOTAL	\$335,558	\$51,031	\$386,589

The carrying amount of the Township's deposits at March 31, 2007, is \$386,589. Of these deposits, \$200,000 is insured by the Federal Deposit Insurance Corporation. In accordance with the State of Michigan policy limits, these deposits are all deposited in Michigan banks. All accounts are in the name of the Township and a specific fund or common account. They are recorded in the Township records at fair value.

Statutory Authority

State statutes authorize the Township to invest in:

1. Bond securities, other obligations and repurchase agreements 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 qualified financial institution.
3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services that matures not more than 270 days after date of purchase.

LYONS TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2007

4. Obligations of the State of Michigan or its political subdivisions that, at the time of purchase, are rated as investment grade by at least one standard rating service.
5. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
6. External investment pools as authorized by Public Act 20 as amended through December 21, 1997.

Township investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Township's name. Investments held by the Township are reported at fair value.

All deposit accounts of Lyons Township are in Category 1, registered and insured and are listed as follows:

<u>Depository</u>	<u>Account</u>	<u>Amount @ 03/31/07</u>
General Fund:		
Independent Bank	Checking account	\$ 75,038
Independent Bank	Savings account	140,373
Union Bank	Certificates of deposit	70,865
Building Fund:		
Union Bank	Checking account	12,170
Union Bank	Savings account	11,970
Union Bank	Certificate of deposit	14,104
Fire Equipment Fund:		
Union Bank	Savings account	\$ 10,332
Telecommunications Fund:		
Union Bank	Savings account	706

LYONS TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

<u>Depository</u>	<u>Account</u>	<u>Amount @ 03/31/07</u>
Tax Agency Fund:		
Union Bank	Checking account	314
Union Bank	Savings account	<u>50,717</u>
TOTAL DEPOSITED FUNDS		\$ 386,589

3. CAPITAL ASSETS

	<u>Balance April 1, 2006</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance March 31, 2007</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$5,000	-	-	\$5,000
Capital assets being depreciated:				
Building improvements	62,000	11,950	-	73,950
Township board equipment	-	43,788		43,788
Cemetery improvements		3,750		3,750
Fire fighting equipment	<u>764,092</u>	<u>45,079</u>	<u>-</u>	<u>809,171</u>
Total assets being depreciated	826,092	104,567		930,659
Less accumulated depreciation for:				
Building improvements	33,328	3,230	-	36,558
Township board equipment		2,358		2,358
Cemetery improvements		125		125
Fire fighting equipment	<u>448,840</u>	<u>43,878</u>	<u>-</u>	<u>492,718</u>
	482,168	49,591	-	531,759
Total capital assets, being depreciated net	343,924			398,900
Governmental activities capital assets, net	<u>\$348,924</u>			<u>\$403,900</u>

LYONS TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

Depreciation expense was charged to functions/programs of the general government as follows:

Office and Elections.....	\$ 2,358
Cemetery Improvements.....	125
Township Building.....	\$ 3,230
Fire Fighting Equipment.....	<u>43,878</u>
Total depreciation.....	\$ 49,591

4. CONTRIBUTORY PENSION PLAN

Lyons Township contributes to the group pension plan through John Hancock Insurance Company. The eligible participants are the elected officials of the township board. The Township contributes \$100 for each \$500 of a participant's compensation.

No contributions are made by the participants. During the year ended March 31, 2007, the Township made cash contributions of \$2,374.79. For the year ended March 31, 2007, the Township has paid and accrued a pension expense of \$8,670.

5. LITIGATION

In the normal course of its activities, the Township has become a party in various legal actions, including property tax assessment appeals. Management of the Township is of the opinion that the outcome of such actions will not have a material effect on the financial position of the Township and, therefore, has not reflected loss reserves in the financial statements.

LYONS TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

6. DUE FROM (TO) OTHER FUNDS

Amounts due from (to) other funds representing interfund receivable and payable balances at March 31, 2007, are detailed as follows:

	<u>Due from</u>	<u>Due to</u>
General Fund	-	\$ 1,519
Tax Agency Fund	\$ 1,519	-
-		

“Due to” and “due from” balances represent amounts in the tax-agency fund which may be transferred into the general fund.

LYONS TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

7. INTERFUND TRANSFERS

Below are listed the interfund transfers made during the year ended March 31, 2007:

	Transfers In:				Total
	General Fund	Building Fund	Fire Fund	Telecom Fund	
Transfers out:					
Cemetery Perpetual Care Fund	\$691	-	-	-	\$691
Fire Equipment Fund	5,000	-	-	-	5,000
Building Fund	1,894	-	2,500	-	4,394
Telecom Fund	6,000	-	-	-	6,000
General Fund	-	-	45,079	-	45,079
 Total transfers out	 \$13,585	 -	 \$47,579	 -	 \$61,164

The General Fund expended \$45,079 for a new tanker for the Lyons Muir Fire Department and turn-out gear for both the Lyons Muir Fire Department and the Pewamo Fire Department. The General Fund transferred this equipment to the Fire Equipment Fund. The Building Fund also transferred \$2,500 to the Fire Equipment Fund, and the Fire Equipment Fund returned \$5,000 to the General Fund. The Cemetery Perpetual Care Fund transferred \$691 of interest earned by the township's deposits of \$19,605, held by the County of Ionia, to the General Fund. The Telecom Fund transferred \$6,000 to the General Fund. The amount of \$3,396 represented income for the telecommunications right-of-way along the township's roads, and the remainder came from the Telecom Funds fund balance. The Building Fund purchased a Gateway computer for the township clerk and transferred this equipment to the General Fund.

Required Supplementary Information

GENERAL FUND

The General Fund is used to account for government resources that are not required legally or by sound financial management to be recorded in another fund. Revenues in this fund are derived primarily from general property taxes, fees for services, interest, state shared revenues, grants, and intergovernmental revenues. General operating expenditures of the Township are accounted for in this fund, including Township Administration, Public Safety, Public Works, and Cemetery.

The legal level of budgetary control of the General Fund is at the activity level, as reflected on the following Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual.

LYONS TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED MARCH 31, 2007

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Property taxes				
Current property taxes	\$98,300	\$98,300	\$108,671	\$10,371
Delinquent property taxes	7,200	7,200	8,318	1,118
Total taxes	105,500	105,500	116,989	11,489
State sources				
State revenue sharing	105,000	105,000	106,304	1,304
Charges for services:				
Ambulance reimbursements	13,000	13,000	17,396	4,396
Fire Services	25,000	25,000	32,140	7,140
Licenses/permits	1,000	1,000	2,100	1,100
Cemetery lot sales	500	500	590	90
Cemetery fees	1,000	1,000	853	(147)
Cable franchise fee	250	250	241	(9)
Total fee revenue	40,750	40,750	53,320	12,570
Investment revenue:				
Interest earnings	1,500	1,500	6,584	5,084
Other revenue				
Federal grant, voting machines	-	40,416	40,416	-
Miscellaneous revenue	750	750	763	13
Total other revenue	750	41,166	41,179	13
Transfers from other funds:				
Transfer from fire equipment	-	5,000	5,000	-
Transfer from telecom fund	-	6,000	6,000	-
Transfer from building fund	-	1,894	1,894	-
Total transfers in	-	12,894	12,894	-
TOTAL REVENUES	\$253,500	\$306,810	\$337,270	\$30,460

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		WITH FINAL
				POSITIVE (NEGATIVE)
EXPENDITURES				
General government				
Supervisor	\$10,810	\$10,810	\$10,750	\$60
Elections	4,000	5,212	7,220	(2,008)
Assessor	17,675	17,675	19,352	(1,677)
Clerk	12,110	12,110	12,155	(45)
Board of review	887	887	789	98
Treasurer	19,310	19,310	19,457	(147)
Audit & legal	4,000	4,000	1,593	2,407
Pension plan	9,000	9,000	7,346	1,654
Total general government	77,792	79,004	78,662	342
Legislative	28,716	69,170	68,568	602
Public safety				
Fire department	103,000	89,472	78,340	11,132
Ambulance	25,000	25,000	24,417	583
Total public safety	128,000	114,472	102,757	11,715
Public works				
Roads	41,550	46,546	59,815	(13,269)
Total Public Works	41,550	46,546	59,815	(13,269)
Cemetery	14,625	17,950	15,901	2,049
Transfer to Fire Equipment Fund	-	42,979	45,079	(2,100)
TOTAL EXPENDITURES	290,683	370,121	370,782	(661)
REVENUES OVER (UNDER)				
EXPENDITURES	(37,183)	(63,311)	(33,512)	29,799
NET CHANGE IN FUND BALANCES	(37,183)	(63,311)	(33,512)	29,799
FUND BALANCE, BEGINNING OF YEAR	330,625	330,625	330,625	-
FUND BALANCE, END OF YEAR	\$293,442	\$267,314	\$297,113	-

MAJOR FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Fire Equipment Fund – This fund is used to account for private donations and grants that are restricted for the purchase and maintenance of fire equipment.

Building Fund -- This fund is used to account for rental income and expenses of the building that houses the township hall and other commercial clients.

**LYONS TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES -- BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2007**

	BUILDING FUND			VARIANCE WITH FINAL POSITIVE (NEGATIVE)
	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL		
REVENUES:				
Rent income	\$22,000	\$22,000	\$24,383	\$2,383
Interest income	250	250	779	529
Miscellaneous income	100	100	317	217
Total revenues	<u>22,350</u>	<u>22,350</u>	<u>25,479</u>	<u>3,129</u>
EXPENDITURES:				
Manager	3,295	3,295	3,338	(43)
Insurance	2,200	2,200	2,623	(423)
Audit	300	300	300	-
Utilities	2,500	2,500	977	1,523
Repair and Maintenance	5,000	5,000	3,514	1,486
Janitorial	600	600	306	294
New equipment	2,000	12,000	11,950	50
Miscellaneous expenses	2,000	2,000	1,535	465
Transfer to Fire Equipment Fund	3,000	2,500	2,500	-
Transfer to general fund	-	1,894	1,894	-
Total expenditures	<u>20,895</u>	<u>32,289</u>	<u>28,937</u>	<u>3,352</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>1,455</u>	<u>(9,939)</u>	<u>(3,458)</u>	<u>6,481</u>
NET CHANGE IN FUND BALANCES	1,455	(9,939)	(3,458)	-
FUND BALANCE, BEGINNING OF YEAR	<u>41,218</u>	<u>41,218</u>	<u>41,218</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$42,673</u></u>	<u><u>\$31,279</u></u>	<u><u>\$37,760</u></u>	<u><u>-</u></u>

**LYONS TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES -- BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2007**

	FIRE EQUIPMENT FUND			VARIANCE WITH FINAL POSITIVE (NEGATIVE)
	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL		
REVENUES:				
Sales of used equipment	\$1,000	\$1,000	\$600	(\$400)
Refunds/Rebates	-	-	1,350	1,350
Interest income	40	40	47	7
Capital grants	2,000	2,000	2,100	100
Transfer from General Fund	-	42,979	45,079	2,100
Transfer from Building Fund	2,500	2,500	2,500	-
Total revenues	5,540	48,519	51,676	3,157
EXPENDITURES:				
Purchase of new fire equipment	-	45,079	45,079	-
Repair and maintenance	-	-	-	-
Transfer to the general fund	5,000	5,000	5,000	-
Total expenditures	5,000	50,079	50,079	-
REVENUES OVER (UNDER) EXPENDITURES	540	(1,560)	1,597	3,157
NET CHANGE IN FUND BALANCES	540	(1,560)	1,597	-
FUND BALANCE, BEGINNING OF YEAR	8,735	8,735	8,735	-
FUND BALANCE, END OF YEAR	\$9,275	\$7,175	\$10,332	-

NONMAJOR FUND

Telecommunications Fund -- This fund is used to account for fees telecommunications companies pay to use the road right-of-ways of Lyons Townships. These fees are generally transferred to the General Fund.

LYONS TOWNSHIP
TELECOMMUNICATIONS FUND

BALANCE SHEET
MARCH 31, 2007

ASSETS:

Cash and cash equivalents	\$706
Total assets	\$706

LIABILITIES AND EQUITY

Fund Balance Undesignated	\$706
------------------------------	-------

**REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE -- BUDGET AND ACTUAL**

FOR THE YEAR ENDED MARCH 31, 2007

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Telecommunications revenue	\$3,200	\$3,200	\$3,396	\$196
Interest income	15	15	21	6
Total revenue	3,215	3,215	3,417	202
EXPENDITURES:				
Transfer to General Fund	-	6,000	6,000	-
REVENUES OVER (UNDER) EXPENDITURES	3,215	(2,785)	(2,583)	202
NET CHANGE IN FUND BALANCES	3,215	(2,785)	(2,583)	-
FUND BALANCE, BEGINNING OF YEAR	3,289	3,289	3,289	-
FUND BALANCE, END OF YEAR	\$6,504	\$504	\$706	-

Lawrence Tiejema, PC
Certified Public Accountant
31 East Main Street PO Box 10
Saranac, MI 48881
Phone: 616-642-0384
Fax: 616-642-0610
Email: tiej@iserv.net

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

July 18, 2007

The Township Board
Lyons Township
Ionia County, Michigan

I have audited the financial statements of the governmental activities and the aggregate remaining fund information of the Township of Lyons, State of Michigan, as of and for the year ended March 31, 2007, which collectively comprise Lyons Township's basic financial statements and have issued a report thereon dated July 18, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, I considered Lyons Township's control over financial reporting as basis for designing my auditing procedures for the purposes of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lyons Township's internal control over financial reporting

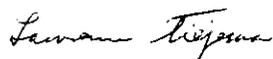
My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, I did not identify any deficiencies in internal control over financial reporting that I 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 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. I noted no significant deficiencies involving internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lyons Township's financial statements are free of material misstatement, I 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 my audit, and accordingly, we do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the township board officers, bond and credit holders, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Lawrence Tiejema, PC.

July 18, 2007

Lawrence Tiejema, PC Certified Public Accountant
31 E. Main Street, PO Box 10, Saranac, MI 48881
616-642-0384 fax: 616-642-0610 email: tiej@iserv.net

August 2, 2007

Board of Lyons Township
Prairie Street, PO Box 187
Lyons, MI 48851

To the Board of Lyons Township:

You may refer to my report on internal control over financial reporting and compliance with laws and established accounting procedures. This letter states that I noted no matters involving internal control over financial reporting that would be considered significant deficiencies. In the course of the audit, however, certain items were noted that would improve financial reporting procedures and documentation.

- (1) Budgetary control is established for townships at the function level. For the year ended March 31, 2007, actual expenditures exceeded budgeted expenditures for the Public Works (roads) function. The township might consider establishing a contingency line-item for unanticipated expenses and authorizing the Clerk to make transfers within established parameters. This would prevent a function from being over its appropriated budget.
- (2) During the course of the audit, there was some difficulty in locating supporting documents for some vendors. For vendors that are used infrequently, the filing could be done by quarter of the year or by month.
- (3) When a major capital project is conducted, it would be prudent to establish a file for each project. In this way all expenses of the project can be traced, and a correct total for the project can be obtained.
- (4) Expenditures for some funds are being paid for by other funds with the asset being transferred to the receiving fund. For example, the building fund purchased a computer for the Treasurer. In such a case, I would recommend that the funds be transferred from one fund to another, and the payment made from the appropriate fund. In the above example, a cash transfer from the building checking account to the general fund checking could be made and the check for the computer written from the general fund checking account.

- (5) Budgeted appropriations are required for the general fund and all special revenue funds. For the special revenue funds of the building fund, fire equipment fund, and telecom fund, budgeted amounts did not appear to be recorded for all revenue and expenditure accounts. You may review all the special revenue funds to assure compliance with these budgetary requirements for the current year.

All of your township officers were very helpful during the conduct of our audit. Your accounting software provider, B S & A, assisted us by installing your accounting information on our laptop and made our audit much more efficient. If you have any questions, please contact me.

Sincerely,

A handwritten signature in cursive script that reads "Larry Tiejema".

Larry Tiejema, CPA