

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 LEONI TOWNSHIP	County JACKSON
Fiscal Year End 6/30/2007	Opinion Date 12/21/2007	Date Audit Report Submitted to State 12/27/2007	

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 type="checkbox"/>		
Certified Public Accountant (Firm Name) DOVE & HICKEY, P.L.C.	Telephone Number (517)796-8880		
Street Address 209 E. WASHINGTON AVE., SUITE 255	City JACKSON	State MI	Zip 49201
Authorizing CPA Signature <i>Paul T. Hickey CPA</i>	Printed Name PAUL T. HICKEY		License Number 1101008615

TOWNSHIP OF LEONI
JACKSON COUNTY - MICHIGAN
FINANCIAL STATEMENTS
Year Ended June 30, 2007

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Dove & Hickey, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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NANNETTE M. SPONSLER, C.P.A.
ALLISON I. COLE, C.P.A.

INDEPENDENT AUDITOR'S REPORT

The Supervisor and Board of Trustees
Township of Leoni
Jackson County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Leoni as of and for the year ended June 30, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Leoni as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedules, 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 inquires 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. The Township of Leoni has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of the financial statements.

Our audit was conducted for the purpose of forming opinions on the financial that collectively comprise the Township of Leoni's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.



December 21, 2007

TOWNSHIP OF LEONI
GOVERNMENT-WIDE -
STATEMENT OF NET ASSETS
June 30, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<u>ASSETS:</u>				
Cash and investments	\$ 1,248,996	\$ 2,677,198	\$ 3,926,194	\$ 1,016,205
Restricted cash	-0-	267,350	267,350	-0-
Receivables:				
Interest	-0-	29,042	29,042	-0-
Customers	26,190	458,306	484,496	-0-
Grants	-0-	1,000,000	1,000,000	-0-
Assessment - current	-0-	218,302	218,302	-0-
Land contract - current	-0-	1,366	1,366	-0-
Due from other governments	305,757	36,998	342,755	-0-
Internal balances	(35,106)	35,106	-0-	-0-
Inventory	-0-	19,860	19,860	-0-
Unamortized bond discount	-0-	11,075	11,075	-0-
Assessment - net of current	-0-	1,050,466	1,050,466	-0-
Land contract - net of current	-0-	145,031	145,031	-0-
Capital assets not being depreciated	71,595	1,837,599	1,909,194	-0-
Capital assets being depreciated - net	<u>1,346,353</u>	<u>18,993,500</u>	<u>20,339,853</u>	<u>-0-</u>
Total assets	<u>2,963,785</u>	<u>26,781,199</u>	<u>29,744,984</u>	<u>1,016,205</u>
<u>LIABILITIES:</u>				
Accounts payable	26,726	44,202	70,928	5,511
Accrued liabilities	22,600	7,015	29,615	-0-
Accrued interest payable	-0-	3,797	3,797	4,112
Due to other governments	-0-	91,996	91,996	-0-
Deferred revenue	-0-	41,457	41,457	-0-
Noncurrent liabilities:				
Due within one year	44,171	381,194	425,365	50,000
Due in more than one year	<u>228,151</u>	<u>5,892,362</u>	<u>6,120,513</u>	<u>240,000</u>
Total liabilities	<u>321,648</u>	<u>6,462,023</u>	<u>6,783,671</u>	<u>299,623</u>
<u>NET ASSETS:</u>				
Invested in capital assets, net of related debt	1,391,298	14,570,436	15,961,734	-0-
Restricted:				
Street lights	147,263	-0-	147,263	-0-
Drug forfeiture activities	17,629	-0-	17,629	-0-
Perpetual care	6,009	-0-	6,009	-0-
Debt service	-0-	304,348	304,348	-0-
Unrestricted	<u>1,079,938</u>	<u>5,444,392</u>	<u>6,524,330</u>	<u>716,582</u>
Total net assets	<u>\$ 2,642,137</u>	<u>\$20,319,176</u>	<u>\$22,961,313</u>	<u>\$ 716,582</u>

See accompanying notes to financial statements.

TOWNSHIP OF LEONI
GOVERNMENT-WIDE -
STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

<u>Functions/Programs</u>	Program Revenues			
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
PRIMARY GOVERNMENT:				
GOVERNMENTAL				
ACTIVITIES:				
General government	\$ 564,845	\$ 210,914	\$ -0-	\$ -0-
Public Safety	1,659,879	137,943	470	-0-
Public works	150,453	97,429	-0-	-0-
Community and economic development	1,981	8,740	-0-	-0-
Recreation	<u>9,009</u>	<u>-0-</u>	<u>100</u>	<u>-0-</u>
Total governmental activities	<u>2,386,167</u>	<u>455,026</u>	<u>570</u>	<u>-0-</u>
BUSINESS-TYPE				
ACTIVITIES:				
Sewer	2,515,214	2,088,376	-0-	957,034
Water	<u>119,043</u>	<u>154,486</u>	<u>-0-</u>	<u>37,135</u>
Total business-type activities	<u>2,634,257</u>	<u>2,242,862</u>	<u>-0-</u>	<u>994,169</u>
Total primary government	<u>\$ 5,020,424</u>	<u>\$ 2,697,888</u>	<u>\$ 570</u>	<u>\$ 994,169</u>
COMPONENT UNIT:				
Community development	<u>\$ 66,403</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

GENERAL REVENUES:

Property taxes
State shared revenue
Cable fees
Unrestricted investment earnings
Loss on sale of capital assets
Total general revenues

CHANGES IN NET ASSETS

NET ASSETS - BEGINNING OF YEAR

NET ASSETS - END OF YEAR

See accompanying notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
(\$ 353,931)	\$ -0-	(\$ 353,931)	\$ -0-
(1,521,466)	-0-	(1,521,466)	-0-
(53,024)	-0-	(53,024)	-0-
6,759	-0-	6,759	-0-
<u>(8,909)</u>	<u>-0-</u>	<u>(8,909)</u>	<u>-0-</u>
<u>(1,930,571)</u>	<u>-0-</u>	<u>(1,930,571)</u>	<u>-0-</u>
-0-	530,196	530,196	-0-
<u>-0-</u>	<u>72,578</u>	<u>72,578</u>	<u>-0-</u>
<u>-0-</u>	<u>602,774</u>	<u>602,774</u>	<u>-0-</u>
<u>(1,930,571)</u>	<u>602,774</u>	<u>(1,327,797)</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(66,403)</u>
1,145,384	-0-	1,145,384	182,571
935,264	-0-	935,264	-0-
94,872	-0-	94,872	-0-
70,475	254,153	324,628	44,890
<u>(37,505)</u>	<u>-0-</u>	<u>(37,505)</u>	<u>-0-</u>
<u>2,208,490</u>	<u>254,153</u>	<u>2,462,643</u>	<u>227,461</u>
277,919	856,927	1,134,846	161,058
<u>2,364,218</u>	<u>19,462,249</u>	<u>21,826,467</u>	<u>555,524</u>
<u>\$ 2,642,137</u>	<u>\$20,319,176</u>	<u>\$22,961,313</u>	<u>\$ 716,582</u>

TOWNSHIP OF LEONI
BALANCE SHEET -
GOVERNMENTAL FUNDS
June 30, 2007

	<u>Major Funds</u>		<u>Other Non-Major Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Fire Fund</u>		
<u>ASSETS:</u>				
Cash and investments	\$1,170,977	\$ -0-	\$ 56,846	\$1,227,823
Receivables:				
Others	26,191	-0-	-0-	26,191
Due from other governments	305,757	-0-	-0-	305,757
Due from other funds	<u>445,946</u>	<u>-0-</u>	<u>-0-</u>	<u>445,946</u>
 Total assets	 <u>\$1,948,871</u>	 <u>\$ -0-</u>	 <u>\$ 56,846</u>	 <u>\$2,005,717</u>
<u>LIABILITIES AND FUND BALANCES:</u>				
Liabilities:				
Accounts payable	\$ 26,726	\$ -0-	\$ -0-	\$ 26,726
Accrued liabilities	26,091	-0-	-0-	26,091
Due to other funds	<u>200</u>	<u>-0-</u>	<u>8,630</u>	<u>8,830</u>
 Total liabilities	 <u>53,017</u>	 <u>-0-</u>	 <u>8,630</u>	 <u>61,647</u>
Fund balances:				
Reserved for:				
Street lighting	147,263	-0-	-0-	147,263
Public Safety	-0-	-0-	17,629	17,629
Perpetual care	-0-	-0-	6,009	6,009
Unreserved reported in:				
Major Funds	1,748,591	-0-	-0-	1,748,591
Non-major permanent fund	<u>-0-</u>	<u>-0-</u>	<u>24,578</u>	<u>24,578</u>
 Total fund balances	 <u>1,895,854</u>	 <u>-0-</u>	 <u>48,216</u>	 <u>1,944,070</u>
 Total liabilities and fund balances	 <u>\$1,948,871</u>	 <u>\$ -0-</u>	 <u>\$ 56,846</u>	 <u>\$2,005,717</u>

See accompanying notes to financial statements.

TOWNSHIP OF LEONI
RECONCILIATION OF FUND BALANCES ON THE
BALANCE SHEET FOR GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS -
GOVERNMENTAL FUNDS
June 30, 2007

Fund balances - total Governmental funds	\$ 1,944,070
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	966,899
Certain liabilities, such as compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(242,182)
Long-term liabilities not due and payable in the current period and are not reported in governmental funds.	<u>(26,650)</u>
Net assets of governmental activities	<u>\$ 2,642,137</u>

See accompanying notes to financial statements.

TOWNSHIP OF LEONI
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year Ended June 30, 2007

	<u>Major Funds</u>		Other Non-Major Funds	Total Governmental Funds
	<u>General Fund</u>	<u>Fire Fund</u>		
REVENUES:				
Taxes and special assessments	\$ 551,985	\$ 863,186	\$ -0-	\$ 1,415,171
Licenses and permits	188,596	-0-	-0-	188,596
State sources	946,172	-0-	-0-	946,172
Contributions	1,100	-0-	-0-	1,100
Charges for services	24,041	13,578	15,800	53,419
Fines and forfeitures	23,639	-0-	6,003	29,642
Interest	<u>66,191</u>	<u>-0-</u>	<u>4,285</u>	<u>70,476</u>
Total revenues	<u>1,801,724</u>	<u>876,764</u>	<u>26,088</u>	<u>2,704,576</u>
EXPENDITURES:				
Current:				
General government	519,620	-0-	7,402	527,022
Public safety	476,486	1,146,263	2,927	1,625,676
Public works	150,453	-0-	-0-	150,453
Community and economic development	4,743	-0-	-0-	4,743
Recreation	<u>4,461</u>	<u>-0-</u>	<u>-0-</u>	<u>4,461</u>
Total expenditures	<u>1,155,763</u>	<u>1,146,263</u>	<u>10,329</u>	<u>2,312,355</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>645,961</u>	<u>(269,499)</u>	<u>15,759</u>	<u>392,221</u>
OTHER FINANCING SOURCES (USES):				
Capital lease debt issued	26,650	-0-	-0-	26,650
Operating transfers in	-0-	263,499	-0-	263,499
Operating transfers (out)	(263,499)	-0-	-0-	(263,499)
Proceeds from sale of capital assets	<u>6,223</u>	<u>6,000</u>	<u>-0-</u>	<u>12,223</u>
Total other financing sources (uses)	<u>(230,626)</u>	<u>269,499</u>	<u>-0-</u>	<u>38,873</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	415,335	-0-	15,759	431,094
FUND BALANCES - BEGINNING OF YEAR	<u>1,480,519</u>	<u>-0-</u>	<u>32,457</u>	<u>1,512,976</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,895,854</u>	<u>\$ -0-</u>	<u>\$ 48,216</u>	<u>\$ 1,944,070</u>

See accompanying notes to financial statements.

TOWNSHIP OF LEONI
RECONCILIATION OF STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
June 30, 2007

Net change in fund balance - total Governmental funds	\$ 431,094
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>	56,599
<p>Depreciation on capital assets reported as part of governmental activities.</p>	(86,017)
<p>Proceeds from sale of capital assets are reported as revenue in the governmental funds; in the statement of activities, the loss on sale of capital assets is reported.</p>	(49,728)
<p>Payments on capital leases are expenditures in the governmental funds, but not in the statement of net assets (where the principal portion reduces long-term debt).</p>	7,648
<p>Revenue that was reported in the statement of activities in the prior year that did not provide current financial resources and was reported in the governmental funds during the current year (GASB No. 33).</p>	(2,984)
<p>Accumulated employee sick pay is recorded when earned in the statement of activities.</p>	(52,043)
<p>Proceeds from long-term borrowings are reported in the governmental funds; in the statement of activities, the debt is set up as a liability.</p>	<u>(26,650)</u>
<p>Changes in net assets of governmental activities</p>	<u>\$ 277,919</u>

See accompanying notes to financial statements.

TOWNSHIP OF LEONI
STATEMENT OF NET ASSETS -
PROPRIETARY FUNDS
June 30, 2007

	Business-Type Activities Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Fund
<u>ASSETS:</u>				
Current assets:				
Cash and investments	\$ 1,635,504	\$ 1,041,694	\$ 2,677,198	\$ 21,173
Restricted cash	267,350	-0-	267,350	-0-
Receivables:				
Interest	29,042	-0-	29,042	-0-
Customers	431,490	26,816	458,306	-0-
Grants	1,000,000	-0-	1,000,000	-0-
Assessments - current	192,155	26,147	218,302	-0-
Land contract - current	1,366	-0-	1,366	-0-
Due from other funds	16,147	27,976	44,123	8,430
Due from other governments	36,998	-0-	36,998	-0-
Inventory	19,860	-0-	19,860	-0-
Total current assets	<u>3,629,912</u>	<u>1,122,633</u>	<u>4,752,545</u>	<u>29,603</u>
Noncurrent assets:				
Unamortized bond discount	11,075	-0-	11,075	-0-
Assessments - net of current	876,917	173,549	1,050,466	-0-
Land contract - net of current	145,031	-0-	145,031	-0-
Capital assets not being depreciated	1,816,558	21,041	1,837,599	-0-
Capital assets being depreciated - net	<u>17,133,760</u>	<u>1,859,740</u>	<u>18,993,500</u>	<u>451,049</u>
Total noncurrent assets	<u>19,983,341</u>	<u>2,054,330</u>	<u>22,037,671</u>	<u>451,049</u>
Total assets	<u>23,613,253</u>	<u>3,176,963</u>	<u>26,790,216</u>	<u>480,652</u>
<u>LIABILITIES:</u>				
Current liabilities:				
Accounts payable	38,470	5,732	44,202	-0-
Accrued liabilities	7,015	-0-	7,015	-0-
Deferred revenue	38,228	3,229	41,457	-0-
Compensated absences - due within one year	8,615	-0-	8,615	-0-
Due to other funds	9,017	-0-	9,017	480,652
Due to other governments	91,996	-0-	91,996	-0-
Accrued interest payable	3,797	-0-	3,797	-0-
Capital leases - current	7,579	-0-	7,579	-0-
Revenue bonds payable - current	<u>365,000</u>	<u>-0-</u>	<u>365,000</u>	<u>-0-</u>
Total current liabilities	<u>569,717</u>	<u>8,961</u>	<u>578,678</u>	<u>480,652</u>
Noncurrent liabilities:				
Capital leases - net of current	4,608,084	-0-	4,608,084	-0-
Revenue bonds payable - net of current	1,280,000	-0-	1,280,000	-0-
Compensated absences - due in more than one year	<u>4,278</u>	<u>-0-</u>	<u>4,278</u>	<u>-0-</u>
Total noncurrent liabilities	<u>5,892,362</u>	<u>-0-</u>	<u>5,892,362</u>	<u>-0-</u>
Total liabilities	<u>6,462,079</u>	<u>8,961</u>	<u>6,471,040</u>	<u>480,652</u>
<u>NET ASSETS:</u>				
Invested in capital assets - net of related debt	12,689,655	1,880,781	14,570,436	-0-
Unrestricted	4,157,171	1,287,221	5,444,392	-0-
Restricted	<u>304,348</u>	<u>-0-</u>	<u>304,348</u>	<u>-0-</u>
Total net assets	<u>\$17,151,174</u>	<u>\$ 3,168,002</u>	<u>\$20,319,176</u>	<u>\$ -0-</u>

See accompanying notes to financial statements.

TOWNSHIP OF LEONI
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
Year Ended June 30, 2007

	Business-Type Activities			Governmental
	Enterprise Funds			Activities
	Sewer Fund	Water Fund	Total	Internal Service Fund
OPERATING REVENUES:				
Charges for service	\$ 2,073,129	\$ 150,241	\$ 2,223,370	\$ 61,382
Other revenues	<u>15,247</u>	<u>4,245</u>	<u>19,492</u>	<u>-0-</u>
Total operating revenues	<u>2,088,376</u>	<u>154,486</u>	<u>2,242,862</u>	<u>61,382</u>
OPERATING EXPENSES:				
Wastewater collection	625,269	-0-	625,269	-0-
Wastewater treatment	1,160,622	-0-	1,160,622	-0-
Septage services	48,595	-0-	48,595	-0-
Water distribution	-0-	57,661	57,661	-0-
Depreciation and amortization	<u>404,621</u>	<u>61,382</u>	<u>466,003</u>	<u>62,993</u>
Total operating expenses	<u>2,239,107</u>	<u>119,043</u>	<u>2,358,150</u>	<u>62,993</u>
OPERATING INCOME (LOSS)	<u>(150,731)</u>	<u>35,443</u>	<u>(115,288)</u>	<u>(1,611)</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest revenue	196,827	57,326	254,153	1,611
Interest expense and financing charges	<u>(276,107)</u>	<u>-0-</u>	<u>(276,107)</u>	<u>-0-</u>
Total non-operating revenues (expenses)	<u>(79,280)</u>	<u>57,326</u>	<u>(21,954)</u>	<u>1,611</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>(230,011)</u>	<u>92,769</u>	<u>(137,242)</u>	<u>-0-</u>
CAPITAL CONTRIBUTIONS:				
Connection fees	311,451	37,135	348,586	-0-
State grant	<u>645,583</u>	<u>-0-</u>	<u>645,583</u>	<u>-0-</u>
Total capital contributions	<u>957,034</u>	<u>37,135</u>	<u>994,169</u>	<u>-0-</u>
CHANGES IN NET ASSETS	727,023	129,904	856,927	-0-
NET ASSETS, BEGINNING OF YEAR	<u>16,424,151</u>	<u>3,038,098</u>	<u>19,462,249</u>	<u>-0-</u>
NET ASSETS, END OF YEAR	<u>\$17,151,174</u>	<u>\$ 3,168,002</u>	<u>\$20,319,176</u>	<u>\$ -0-</u>

See accompanying notes to financial statements.

TOWNSHIP OF LEONI
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
Year Ended June 30, 2007

	Business-Type Activities Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 2,059,002	\$ 173,144	\$ 2,232,146	\$ -0-
Cash received from interfund services	6,898	6,004	12,902	-0-
Cash payments to employees benefits	(459,212)	(15,584)	(474,796)	-0-
Cash payments to suppliers	<u>(1,412,395)</u>	<u>(43,637)</u>	<u>(1,456,032)</u>	<u>-0-</u>
Net cash provided (used) by operating activities	<u>194,293</u>	<u>119,927</u>	<u>314,220</u>	<u>-0-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Connections	210,922	37,135	248,057	-0-
Construction/acquisition of capital assets	(1,160,799)	(7,892)	(1,168,691)	-0-
Proceeds from long-term receivable	603	-0-	603	-0-
Principal paid on long-term debt	(367,106)	-0-	(367,106)	-0-
Interest paid on long-term debt	<u>(276,526)</u>	<u>-0-</u>	<u>(276,526)</u>	<u>-0-</u>
Net cash provided (used) by capital and related financing activities	<u>(1,592,906)</u>	<u>29,243</u>	<u>(1,563,663)</u>	<u>-0-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investments	(18,354)	-0-	(18,354)	-0-
Interest income	<u>177,878</u>	<u>57,326</u>	<u>235,204</u>	<u>1,611</u>
Net cash provided (used) by investing activities	<u>159,524</u>	<u>57,326</u>	<u>216,850</u>	<u>1,611</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,239,089)	206,496	(1,032,593)	1,611
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,512,377</u>	<u>835,198</u>	<u>2,347,575</u>	<u>19,562</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 273,288</u>	<u>\$ 1,041,694</u>	<u>\$ 1,314,982</u>	<u>\$ 21,173</u>
STATEMENT OF NET ASSETS CLASSIFICATION OF CASH AND CASH EQUIVALENTS:				
Cash and investments	\$ 1,635,504	\$ 1,041,694	\$ 2,677,198	\$ 21,173
Restricted cash	267,350	-0-	267,350	-0-
Less: investments with original maturity in excess of three months	<u>(1,629,566)</u>	<u>-0-</u>	<u>(1,629,566)</u>	<u>-0-</u>
Total	<u>\$ 273,288</u>	<u>\$ 1,041,694</u>	<u>\$ 1,314,982</u>	<u>\$ 21,173</u>

See accompanying notes to financial statements.

TOWNSHIP OF LEONI
STATEMENT OF CASH FLOWS (Concluded)
PROPRIETARY FUNDS
Year Ended June 30, 2007

	Business-Type Activities			Governmental
	<u>Enterprise Funds</u>			<u>Activities</u>
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>	<u>Internal Service Fund</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income (loss)	(\$ 150,731)	\$ 35,443	(\$ 115,288)	(\$ 1,611)
Adjustment to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	400,921	61,382	462,303	62,993
Amortization	3,700	-0-	3,700	-0-
Changes in assets and liabilities:				
Receivables	(28,006)	18,586	(9,420)	-0-
Due from other funds	6,898	6,004	12,902	(2,107)
Inventories	36,409	-0-	36,409	-0-
Accounts payable and accrued expenses	(73,530)	(1,560)	(75,090)	-0-
Deferred revenue	(1,368)	72	(1,296)	-0-
Due to other funds	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(59,275)</u>
Net cash provided (used) by operating activities	<u>\$ 194,293</u>	<u>\$ 119,927</u>	<u>\$ 314,220</u>	<u>\$ -0-</u>

Non-cash investing, capital, and financing activities:

In the prior year, Jackson County issued a bond on behalf of the Township to construct the Southern Regional Interceptor Section of the Jackson County Wastewater Disposal Facility and is holding the unexpended bond proceeds. During the fiscal year ended June 30, 2007, the County collected \$1,418,502 of connection fees and reimbursements from other governmental units, credited the account with \$4,998 of interest and paid out \$1,868,542 of project and administrative expenses.

See accompanying notes to financial statements.

TOWNSHIP OF LEONI
STATEMENT OF NET ASSETS -
FIDUCIARY FUND
June 30, 2007

ASSETS:

Cash and cash equivalents	\$ <u>25,990</u>
Total assets	\$ <u>25,990</u>

LIABILITIES:

Due to other Governments	\$ 5,387
Due to others	<u>20,603</u>
Total liabilities	\$ <u>25,990</u>

See accompanying notes to financial statements.

TOWNSHIP OF LEONI
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUND BALANCE SHEET -
COMPONENT UNIT
June 30, 2007

	<u>Downtown Development Authority</u> <u>Governmental Fund Type</u> <u>General Fund</u>
<u>ASSETS:</u>	
Cash and investments	\$ <u>1,016,205</u>
Total assets	\$ <u>1,016,205</u>
 <u>LIABILITIES:</u>	
Accounts payable	\$ <u>5,511</u>
Total liabilities	<u>5,511</u>
Fund balance:	
Unreserved	<u>1,010,694</u>
Total liabilities and fund balance	\$ <u>1,016,205</u>

See accompanying notes to financial statements.

TOWNSHIP OF LEONI
RECONCILIATION OF FUND BALANCES ON THE
BALANCE SHEET FOR GOVERNMENTAL FUNDS -
COMPONENT UNIT TO STATEMENT OF NET ASSETS
June 30, 2007

Fund balances - total discretely presented component unit	\$ 1,010,694
Amounts reported for component unit in the statement of net assets are different because:	
Long-term liabilities not due and payable in the current period and are not reported in the component unit:	
Bonds payable	290,000
Accrued interest payable is not included as a liability in the component unit.	<u>4,112</u>
Net assets of component unit	\$ <u>716,582</u>

See accompanying notes to financial statements.

TOWNSHIP OF LEONI
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
COMPONENT UNIT
Year Ended June 30, 2007

	<u>Downtown Development Authority</u> <u>Governmental Fund Type</u> <u>General Fund</u>
REVENUES:	
Taxes	\$ 182,571
Interest income	<u>44,890</u>
Total revenues	<u>227,461</u>
EXPENDITURES:	
Community development	40,088
Debt service	<u>71,953</u>
Total expenditures	<u>112,041</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	115,420
FUND BALANCE - BEGINNING OF YEAR	<u>895,274</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,010,694</u>

See accompanying notes to financial statements.

TOWNSHIP OF LEONI
RECONCILIATION OF STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
COMPONENT UNIT TO THE STATEMENT OF ACTIVITIES
June 30, 2007

Net change in fund balance - total component unit	\$ 115,420
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
Interest expense is reported in the statement of activities when incurred; it is not reported in the component unit governmental funds until paid	638
Repayment of note/bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	<u>45,000</u>
Changes in net assets of governmental activities	<u>\$ 161,058</u>

See accompanying notes to financial statements.

TOWNSHIP OF LEONI
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Leoni (Township) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township of Leoni.

Reporting Entity

The Township of Leoni is governed by an elected seven-member board. The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Downtown Development Authority

The Downtown Development Authority of the Township of Leoni (D.D.A.) was established as a legally separate entity and is governed by a nine (9) member board appointed by the Township of Leoni. This authority was established to finance improvements to the Township's water supply system serving the downtown development district. The revenues of this authority consist of captured real property taxes within the district over the initial assessed value of the same property (assessed value at the time of the D.D.A.'s creation, multiplied by the millage rate of all applicable units of government). The disbursements of the authority are to pay bond principal and interest, plan and administrative expenses.

There are no separately issued financial statements for the component unit.

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 and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally 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. Likewise, the primary government is reported separately from a legally separate component unit for which the primary government is financially accountable.

TOWNSHIP OF LEONI
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary funds, fiduciary fund, and component units financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, district court fines, and interest associated with the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be available only when cash is received by the Township.

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

TOWNSHIP OF LEONI
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. General Fund activities are financed by revenue from general property taxes and state-shared revenue.

Fire Fund - The Fire Fund is used to account for the use of property taxes received under a specially voted millage.

The Township reports the following major proprietary funds:

Sewer Fund - The Sewer Fund is used to account for the results of operations for providing sewer service to the citizens and businesses of the Township. The primary revenues are generated through user charges from those requesting sewer service.

Water Fund - The Water Fund is used to account for the results of operations for providing water service to the citizens and businesses of the Township. The fund's primary revenues are generated through user charges from those requesting water service.

Additionally, the Township reports the following fund types:

Internal Service Fund - The Internal Service Fund accounts for fleet and equipment management to other departments of the government on a cost reimbursement basis.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of earmarked revenue or financing activities requiring separate accounting because of legal or regulatory provisions.

Permanent Fund - The Permanent Fund accounts for resources that are legally restricted to the extent that only earnings, not principal, may be used for perpetual care of cemetery lots.

Agency Funds - The Agency Funds account for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, and other governments.

TOWNSHIP OF LEONI
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Private-sector standards of accounting issued prior to December 1, 1989, are generally 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 private-sector standards issued after November 30, 1989 for its business-type 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 charges between the Township's sewer and water function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds and the internal service fund relate to charges to customers for sales and services. The sewer and water fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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

TOWNSHIP OF LEONI
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time they are added to the county tax rolls.

The Township's 2006 tax is levied and collectible on December 1, 2006, and is recognized as revenue in the year ended June 30, 2007, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2006 taxable valuation of the Township totaled approximately \$37,640,000 on which ad valorem taxes levied consisted of .766 mills for operating purposes and 2.38 mills for Fire. This resulted in \$275,929 for operating, \$856,455 for Fire, and \$34,781 for the Township's component unit. These amounts are recognized in the General Fund, Special Revenue Fund and discrete component units financial statements as tax revenue (net of reductions for delinquent amounts and prior year tax tribunal changes).

Assets, Liabilities, and Net Assets or Equity

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

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are considered to be fully collectible.

Inventories - Proprietary fund inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

TOWNSHIP OF LEONI
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Assets or Equity (Continued)

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

Buildings and improvements	25 to 50 years
Sewer and water transportation lines	50 to 60 years
Furnishings and equipment	5 to 30 years
Vehicles	3 to 30 years

Compensated Absences - It is the Township's policy to permit eligible employees to accumulate earned but unused vacation and sick pay benefits. Vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Long-term Obligations - In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

TOWNSHIP OF LEONI
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and all Special Revenue Funds. All annual appropriations lapse at year end. Public hearings are held, and a final budget is adopted no later than July 1. The Township Board must approve any budget amendments.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control is the department level.

The government does not utilize encumbrance accounting.

Construction Code Fees

The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction costs. A summary of the current year activity is as follows:

Current year building permit revenue	\$ 82,784
Less total construction code expenses	<u>(129,393)</u>
Shortfall at June 30, 2007	(\$ <u>46,609</u>)

3. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the board of trustees in accordance with Public Act 20 of 1943, as amended, has authorized investment in the investments in the preceding paragraph. The Township's deposit and investment policy is in accordance with statutory authority.

TOWNSHIP OF LEONI
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

3. DEPOSITS AND INVESTMENTS (Continued)

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township and its component unit had \$4,700,235 and \$1,005,150 of bank deposits (certificates of deposit, checking and savings accounts), respectively, of which \$300,000 and \$201,540 were covered by federal depository insurance, respectively, and the remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes, in market interest rates, will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the Township manages its exposure to interest rate risk is by participating in one bank investment pool and one money market which hold diverse investments that local units of government are authorized by law for direct investment.

As of June 30, 2007, the Township had the following investments:

	<u>Primary Government</u>	<u>Component Unit</u>
Investments:		
Bank investment pools	\$ <u>113,408</u>	\$ <u>12,992</u>

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The bank investment pooled funds and money market do not have a rating provided by a nationally recognized statistical rating organization.

TOWNSHIP OF LEONI
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

4. RESTRICTED NET ASSETS

Net assets have been restricted in the amount of \$267,350 to finance sewer bond payments and \$36,998 due from Jackson County which represents unspent bond proceeds, for a total of \$304,348.

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007, was as follows:

	Balance <u>July 1, 2006</u>	<u>Additions</u>	Disposals and <u>Adjustments</u>	Balance <u>June 30, 2007</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ <u>71,595</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>71,595</u>
Capital assets being depreciated:				
Land improvements	167,810	-0-	-0-	167,810
Buildings	767,900	-0-	-0-	767,900
Machinery and equipment	835,107	15,240	90,000	760,347
Vehicles	<u>1,500,894</u>	<u>41,359</u>	<u>45,263</u>	<u>1,496,990</u>
Total capital assets being depreciated	<u>3,271,711</u>	<u>56,599</u>	<u>135,263</u>	<u>3,193,047</u>
Less: accumulated depreciation:				
Land improvements	70,480	3,356	-0-	73,836
Buildings	310,639	15,437	-0-	326,076
Machinery and equipment	428,859	61,552	50,700	439,711
Vehicles	<u>965,146</u>	<u>68,665</u>	<u>26,740</u>	<u>1,007,071</u>
Total accumulated depreciation	<u>1,775,124</u>	<u>149,010</u>	<u>77,440</u>	<u>1,846,694</u>
Total capital assets being depreciated - net	<u>1,496,587</u>	<u>(92,411)</u>	<u>57,823</u>	<u>1,346,353</u>
Total capital assets - net	\$ <u>1,568,182</u>	(\$ <u>92,411</u>)	\$ <u>57,823</u>	\$ <u>1,417,948</u>

TOWNSHIP OF LEONI
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

5. CAPITAL ASSETS (Continued)

	Balance <u>July 1, 2006</u>	<u>Additions</u>	Disposals and <u>Adjustments</u>	Balance <u>June 30, 2007</u>
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 563,425	\$ -0-	\$ -0-	\$ 563,425
Construction in progress	<u>5,271,405</u>	<u>815,085</u>	<u>4,812,316</u>	<u>1,274,174</u>
Total capital assets not being depreciated	<u>5,834,830</u>	<u>815,085</u>	<u>4,812,316</u>	<u>1,837,599</u>
Capital assets being depreciated:				
Buildings and systems	20,124,949	5,606,496	-0-	25,731,445
Machinery and equipment	588,638	4,467	-0-	593,105
Vehicles	<u>31,390</u>	<u>-0-</u>	<u>-0-</u>	<u>31,390</u>
Total capital assets being depreciated	<u>20,744,977</u>	<u>5,610,963</u>	<u>-0-</u>	<u>26,355,940</u>
Less: accumulated depreciation:				
Buildings and systems	6,532,781	414,478	-0-	6,947,259
Machinery and equipment	365,861	43,341	-0-	409,202
Vehicles	<u>1,495</u>	<u>4,484</u>	<u>-0-</u>	<u>5,979</u>
Total accumulated depreciation	<u>6,900,137</u>	<u>462,303</u>	<u>-0-</u>	<u>7,362,440</u>
Total capital assets being depreciated - net	<u>13,844,840</u>	<u>5,148,660</u>	<u>-0-</u>	<u>18,993,500</u>
Total capital assets - net	<u>\$19,679,670</u>	<u>\$ 5,963,745</u>	<u>\$ 4,812,316</u>	<u>\$20,831,099</u>

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

Governmental activities:	
General government	\$ 31,972
Public Safety	49,497
Culture and recreation	4,548
Capital assets held by the government's internal service fund are charged to the various functions based on their usage of the assets	<u>62,993</u>
Total governmental activities	<u>\$ 149,010</u>
Business-type activities:	
Sewer Fund	\$ 400,921
Water Fund	<u>61,382</u>
Total business-type activities	<u>\$ 462,303</u>

TOWNSHIP OF LEONI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2007

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2007, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Internal Service Fund	\$ <u>445,946</u>
Sewer Fund	General Fund	200
	Cemetery Fund	200
	Internal Service Fund	<u>15,747</u>
	Total Sewer Fund	<u>16,147</u>
Water Fund	Sewer Fund	9,017
	Internal Service Fund	<u>18,959</u>
	Total Water Fund	<u>27,976</u>
Internal Service Fund	Cemetery Fund	<u>8,430</u>
	Total	\$ <u>498,499</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions recorded in the accounting system, and payments between funds are made.

For the year ended June 30, 2007, interfund transfers of \$263,499 were made from the General Fund to the Fire Special Revenue fund. Transfers are used to fund various programs accounted for in other funds in accordance with budgetary authorizations.

TOWNSHIP OF LEONI
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

7. LONG-TERM DEBT

Revenue Bonds. The government issues bonds where it pledges income derived from the acquired or constructed assets to pay debt service.

Long-term obligation activity can be summarized as follows:

	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government:							
Governmental activities:							
Compensated absences	-	-	\$ 193,164	\$ 64,249	(\$ 11,741)	\$ 245,672	\$ 31,287
Capital lease to purchase two vehicles	5.85% - 6.90%	\$ 7,258 - 7,452	<u>15,743</u>	<u>26,650</u>	<u>(15,743)</u>	<u>26,650</u>	<u>12,884</u>
Total governmental activities			<u>\$ 208,907</u>	<u>\$ 90,899</u>	<u>(\$ 27,484)</u>	<u>\$ 272,322</u>	<u>\$ 44,171</u>
Business-type activities:							
Compensated absences			\$ 18,081	\$ 7,667	(\$ 12,855)	\$ 12,893	\$ 8,615
Revenue bonds 1993 sewer bonds, amount of issue \$1,710,000, maturity through 2014	2.00%	\$ 70,000 - 105,000	855,000	-0-	(85,000)	770,000	90,000
Revenue bonds 2000 sewer bonds, amount of issue \$2,465,000, maturity through 2010	4.50% - 5.20%	165,000 - 300,000	1,150,000	-0-	(275,000)	875,000	275,000
Capital lease with Jackson County to finance Southern Regional Interceptor, amount of County bonds issued \$4,600,000, maturity through 2025	4.25%	125,000 - 425,000	4,600,000	-0-	-0-	4,600,000	-0-
Capital lease to purchase two vehicles	6.65%	7,107 - 8,621	<u>22,769</u>	<u>-0-</u>	<u>(7,106)</u>	<u>15,663</u>	<u>7,579</u>
Total business-type activities			<u>\$6,645,850</u>	<u>\$ 7,667</u>	<u>(\$ 379,961)</u>	<u>\$6,273,556</u>	<u>\$ 381,194</u>
Component Unit:							
Revenue bonds 1987 water bonds, amount of issue \$750,000, maturity through 2011	6.00% - 8.625%	10,000 - 65,000	<u>\$ 335,000</u>	<u>\$ -0-</u>	<u>(\$ 45,000)</u>	<u>\$ 290,000</u>	<u>\$ 50,000</u>
Total component unit			<u>\$ 335,000</u>	<u>\$ -0-</u>	<u>(\$ 45,000)</u>	<u>\$ 290,000</u>	<u>\$ 50,000</u>

For the governmental activities, compensated absences are liquidated by the general fund or the fire special revenue fund (for firefighters).

TOWNSHIP OF LEONI
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

7. LONG-TERM DEBT (Continued)

Revenue bond debt service and capital lease requirements to maturity are as follows:

Year Ending June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Component Unit</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 12,884	\$ 1,826	\$ 372,579	\$ 259,641	\$ 50,000	\$ 22,856
2008	13,766	943	523,084	243,175	55,000	18,328
2009	-0-	-0-	545,000	220,025	60,000	13,369
2010	-0-	-0-	245,000	196,150	60,000	8,194
2011	-0-	-0-	270,000	187,875	65,000	2,803
2012-2016	-0-	-0-	1,505,000	781,937	-0-	-0-
2017 - 2021	-0-	-0-	1,600,000	483,088	-0-	-0-
2022 - 2026	-0-	-0-	1,200,000	110,063	-0-	-0-
	<u>\$ 26,650</u>	<u>\$ 2,769</u>	<u>\$ 6,260,663</u>	<u>\$ 2,481,954</u>	<u>\$ 290,000</u>	<u>\$ 65,550</u>

8. 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 June 30, 2007, the Township carried commercial insurance to cover all risks of losses. The Township has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

9. OTHER POST-EMPLOYMENT BENEFITS

The Township provides post-employment health care and dental insurance to eligible retirees and their spouses. The benefits are provided in accordance with Township ordinances, resolutions, and collective bargaining agreement. During the fiscal year, four (4) retirees were eligible for the post-employment health care and dental insurance benefits at a cost of \$16,411; these expenditures are recognized as the insurance premiums become due. The Township's policy is to finance these benefits on a pay-as-you-go basis. For those employees who terminate and are not eligible retirees (normal or disability), health care and dental insurance benefits continue for 30 days after termination. At that time the former employee has continuation rights to health care and dental insurance coverage under COBRA law of 1985.

TOWNSHIP OF LEONI
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

10. EMPLOYEE RETIREMENT SYSTEM AND PLAN

Plan Description

The Township's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Township participates in the Michigan Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the Retirement Board of MERS. The MERS retirement Board establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Michigan Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917, or by calling (800) 767-6377.

Funding Policy

The Township is required to contribute at an actuarially determined rate; the current rate is 9.99% for union employees and 5.76% for non-union employees of annual covered payroll. Township employees are required to contribute 7.5% of their annual covered payroll. The contribution requirements of the Township are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the Township, depending on the MERS contribution program adopted by the Township.

TOWNSHIP OF LEONI
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

10. EMPLOYEE RETIREMENT SYSTEM AND PLAN (Continued)

Annual Pension Costs

For year ended June 30, 2007, the Township's annual pension cost of \$109,171 for the MERS was equal to the Township's required and actual contribution. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 4.5% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The Township's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period is 30 years.

Three-Year Trend Information

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/05	\$ 88,920	100%	\$ -0-
6/30/06	96,408	100%	-0-
6/30/07	109,171	100%	-0-

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as of % of Covered Payroll ((b-a)/c)</u>
12/31/04	\$ 3,620,259	\$ 4,391,339	\$ 771,080	82%	\$ 1,373,711	56%
12/31/05	3,870,947	4,561,570	690,623	85%	1,372,340	50%
12/31/06	4,229,446	4,826,609	597,163	88%	1,437,814	41%

11. SUBSEQUENT EVENT

Subsequent to June 30, 2007, the Township Board approved plans for updating the sewage treatment plant and accepted a loan of approximately \$33,000,000 from the State of Michigan State Revolving Loan Fund.

REQUIRED SUPPLEMENTAL INFORMATION

TOWNSHIP OF LEONI
 BUDGETARY COMPARISON SCHEDULE -
 GENERAL FUND
 Year Ended June 30, 2007

	Budget		Actual	Actual
	Original	Final		Over (under) Final Budget
REVENUES:				
Taxes and special assessments	\$ 538,900	\$ 538,900	\$ 551,985	\$ 13,085
Licenses and permits	161,300	161,300	188,596	27,296
State sources	922,551	922,951	946,172	23,221
Contributions from local units	1,800	1,800	1,100	(700)
Charges for services	15,800	18,200	24,041	5,841
Fines and forfeitures	15,000	18,000	23,639	5,639
Interest	<u>16,500</u>	<u>27,500</u>	<u>66,191</u>	<u>38,691</u>
Total revenues	<u>1,671,851</u>	<u>1,688,651</u>	<u>1,801,724</u>	<u>113,073</u>
EXPENDITURES:				
General government:				
Township board	38,390	39,790	30,844	8,946
Township supervisor	76,440	76,890	61,557	15,333
Assessor	168,003	168,183	144,316	23,867
Township clerk - elections	12,500	15,200	13,290	1,910
Board of review	2,700	2,700	2,016	684
Township clerk	146,350	143,025	137,016	6,009
Township treasurer	124,650	115,680	89,751	25,929
Township hall and grounds	57,527	43,427	40,830	2,597
Public safety:				
Police	406,725	410,225	347,093	63,132
Inspection	153,481	151,696	129,393	22,303
Public works:				
Street lighting	102,000	99,000	98,239	761
Highways and streets	50,000	53,000	52,214	786
Community and economic development:				
Planning	5,700	5,700	3,661	2,039
Zoning	2,100	2,100	1,082	1,018
Recreation - parks	<u>3,200</u>	<u>4,800</u>	<u>4,461</u>	<u>339</u>
Total expenditures	<u>1,349,766</u>	<u>1,331,416</u>	<u>1,155,763</u>	<u>175,653</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>322,085</u>	<u>357,235</u>	<u>645,961</u>	<u>288,726</u>
OTHER FINANCING SOURCES (USES):				
Capital lease debt issued	-0-	-0-	26,650	26,650
Operating transfers out	(475,013)	(382,513)	(263,499)	119,014
Proceeds from sale of capital assets	<u>-0-</u>	<u>-0-</u>	<u>6,223</u>	<u>6,223</u>
Total other financing sources (uses)	<u>(475,013)</u>	<u>(382,513)</u>	<u>(230,626)</u>	<u>151,887</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(152,928)	(25,278)	415,335	440,613
FUND BALANCES - BEGINNING OF YEAR	<u>1,480,519</u>	<u>1,480,519</u>	<u>1,480,519</u>	<u>-0-</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,327,591</u>	<u>\$ 1,455,241</u>	<u>\$ 1,895,854</u>	<u>\$ 440,613</u>

See accompanying notes to financial statements.

TOWNSHIP OF LEONI
 BUDGETARY COMPARISON SCHEDULE -
 FIRE SPECIAL REVENUE FUND
 Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
REVENUES:				
Taxes and special assessments	\$ 866,000	\$ 866,000	\$ 863,186	(\$ 2,814)
Charges for services	<u>30</u>	<u>13,530</u>	<u>13,578</u>	<u>48</u>
Total revenues	<u>866,030</u>	<u>879,530</u>	<u>876,764</u>	<u>(2,766)</u>
EXPENDITURES:				
Public safety	<u>1,327,043</u>	<u>1,248,043</u>	<u>1,146,263</u>	<u>101,780</u>
Total expenditures	<u>1,327,043</u>	<u>1,248,043</u>	<u>1,146,263</u>	<u>101,780</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(461,013)</u>	<u>(368,513)</u>	<u>(269,499)</u>	<u>99,014</u>
OTHER FINANCING SOURCES (USES):				
Transfer from General Fund	461,013	368,513	263,499	(105,014)
Proceeds from sale of capital assets	<u>-0-</u>	<u>-0-</u>	<u>6,000</u>	<u>6,000</u>
Total other financing sources (uses)	<u>461,013</u>	<u>368,513</u>	<u>269,499</u>	<u>(99,014)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-0-	-0-	-0-	-0-
FUND BALANCES - BEGINNING OF YEAR	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
FUND BALANCES - END OF YEAR	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See accompanying notes to financial statements.

OTHER SUPPLEMENTAL INFORMATION

TOWNSHIP OF LEONI
 OTHER SUPPLEMENTAL INFORMATION
 COMBINING BALANCE SHEET -
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2007

	<u>Non-Major Special Revenue Funds</u>	<u>Permanent Fund</u>	<u>Total Non-Major Governmental Funds</u>
	<u>Drug Forfeiture</u>	<u>Cemetery</u>	
<u>ASSETS:</u>			
Cash and investments	\$ <u>17,629</u>	\$ <u>39,217</u>	\$ <u>56,846</u>
Total assets	\$ <u>17,629</u>	\$ <u>39,217</u>	\$ <u>56,846</u>
<u>LIABILITIES AND FUND BALANCES:</u>			
Liabilities:			
Due to other funds	\$ <u>-0-</u>	\$ <u>8,630</u>	\$ <u>8,630</u>
Total liabilities	<u>-0-</u>	<u>8,630</u>	<u>8,630</u>
Fund balances:			
Reserved for:			
Public Safety	17,629	-0-	17,629
Perpetual care	-0-	6,009	6,009
Unreserved:			
Undesignated	<u>-0-</u>	<u>24,578</u>	<u>24,578</u>
Total fund balances	<u>17,629</u>	<u>30,587</u>	<u>48,216</u>
Total liabilities and fund balances	\$ <u>17,629</u>	\$ <u>39,217</u>	\$ <u>56,846</u>

See accompanying notes to financial statements.

TOWNSHIP OF LEONI
OTHER SUPPLEMENTAL INFORMATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2007

	Non-Major Special Revenue Funds	Permanent Fund	Total Non-Major Governmental Funds
	<u>Drug Forfeiture</u>	<u>Cemetery</u>	<u>Funds</u>
REVENUES:			
Charges for services	\$ -0-	\$ 15,800	\$ 15,800
Fines and forfeitures	6,003	-0-	6,003
Interest	<u>1,722</u>	<u>2,563</u>	<u>4,285</u>
Total revenues	<u>7,725</u>	<u>18,363</u>	<u>26,088</u>
EXPENDITURES:			
General government	-0-	7,402	7,402
Public Safety	<u>2,927</u>	<u>-0-</u>	<u>2,927</u>
Total expenditures	<u>2,927</u>	<u>7,402</u>	<u>10,329</u>
EXCESS OF REVENUES OVER EXPENDITURES	4,798	10,961	15,759
FUND BALANCE - BEGINNING OF YEAR	<u>12,831</u>	<u>19,626</u>	<u>32,457</u>
FUND BALANCE - END OF YEAR	<u>\$ 17,629</u>	<u>\$ 30,587</u>	<u>\$ 48,216</u>

See accompanying notes to financial statements.

Dove & Hickey, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

209 E. Washington Ave., Suite 255 • Jackson, Michigan 49201
Phone (517) 796-8880 • Fax (517) 796-8777

MEMBERS:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

GEORGE DOVE, C.P.A.
PAUL T. HICKEY, C.P.A.
NANNETTE M. SPONSLER, C.P.A.
ALLISON I. COLE, C.P.A.

December 21, 2007

Township Board
Leoni Township
Jackson County, Michigan

In planning and performing our audit of the financial statements of the governmental activities and each major fund of Leoni Township as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Leoni Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

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

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

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

Journal Entries:

Management is responsible for designing and implementing of the financial reporting system to record, process, and report significant transactions. Journal entries were required during audit to ensure financial statement presentation was in conformity with generally accepted accounting principles. These entries included accruals and reclassifications. Township staff does not possess the expertise to make accrual adjustments.

We recommend management carefully review audit entries, become alerted to the classification issues, as not to repeat them in subsequent years. It has been past practice for the auditors to make these accrual adjustments and we bring this to management's attention since it meets the above definition of a matter to be communicated.

Financial Statement Report Adjustments:

During the audit we generally provide assistance in identifying and calculating certain year-end adjustments required to prepare financial statements in accordance with generally accepted accounting principles, including the requirements of GASB 34. We also assist in gathering information required for financial statements reclassifications and footnote disclosures. We are pleased to assist in this process, as we have expertise in these adjustments and reporting issues, and can generally assist in a very cost-efficient manner. We bring this to your attention since it meets the above definition of a matter to be communicated.

Bank Reconciliations:

Bank reconciliations are being prepared by the same staff member who is responsible for accounts payable and preparing financial reports. We suggest that some other member of staff prepare the bank reconciliations or that the Clerk carefully review them to increase the internal controls.

Signing Checks:

The Clerk and Treasurer are both properly signing all checks, but they are not matching the check information to the vendor invoices, prior to signing them. We suggest that they compare the amount, payee, and date of service prior to signing the checks.

Leoni Township
December 21, 2007
Page 3

We also noted other accounting matters that we would like to communicate to you.

Personnel Files:

During the audit, we noted that some personnel files were incomplete. They did not contain the documentation of the current rate of pay. We suggest an effort be made to update all personnel files to reflect authorized rates of pay.

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

Respectively yours,

Dove + Hickey PLLC