

Charter Township of Oshtemo
Kalamazoo County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended December 31, 2007

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INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Charter Township of Oshtemo, 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 Charter Township of Oshtemo, Michigan, as of December 31, 2007, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Oshtemo, Michigan, as of December 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, as listed in the contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Charter Township of Oshtemo, Michigan, has not presented the management's discussion and analysis, and the budgetary comparison information for the General Sewer Fund that the Governmental Accounting Standards Board requires to supplement, although not be part of, the basic financial statements.



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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Oshtemo, Michigan's basic financial statements. The accompanying supplementary information, as listed in the contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sigfried Crandall P.C.

May 29, 2008

BASIC FINANCIAL STATEMENTS

Charter Township of Oshtemo
STATEMENT OF NET ASSETS
December 31, 2007

	<u>Primary government</u>			<u>Component unit</u>
	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>	<u>Downtown Development Authority</u>
ASSETS				
Current assets:				
Cash	\$ 5,681,426	\$ 1,007,923	\$ 6,689,349	\$ 131,658
Investments	972,705	-	972,705	-
Receivables, net	1,902,563	-	1,902,563	41,999
Total current assets	<u>8,556,694</u>	<u>1,007,923</u>	<u>9,564,617</u>	<u>173,657</u>
Noncurrent assets:				
Receivables, net	359,576	-	359,576	-
Capital assets not being depreciated - land	238,616	-	238,616	-
Capital assets, net of accumulated depreciation	10,618,920	367,042	10,985,962	-
Total noncurrent assets	<u>11,217,112</u>	<u>367,042</u>	<u>11,584,154</u>	<u>-</u>
Total assets	<u>19,773,806</u>	<u>1,374,965</u>	<u>21,148,771</u>	<u>173,657</u>
LIABILITIES				
Current liabilities:				
Payables	222,462	650	223,112	16,807
Long-term debt	61,817	-	61,817	-
Deferred revenue	2,793,931	-	2,793,931	56,735
Total current liabilities	3,078,210	650	3,078,860	73,542
Noncurrent liabilities - long-term debt	115,189	-	115,189	-
Total liabilities	<u>3,193,399</u>	<u>650</u>	<u>3,194,049</u>	<u>73,542</u>
NET ASSETS				
Invested in capital assets, net of related debt	10,764,140	367,042	11,131,182	-
Restricted for public safety	1,157,466	1,007,273	2,164,739	-
Unrestricted	4,658,801	-	4,658,801	100,115
Total net assets	<u>\$ 16,580,407</u>	<u>\$ 1,374,315</u>	<u>\$17,954,722</u>	<u>\$ 100,115</u>

See notes to financial statements

Charter Township of Oshtemo
STATEMENT OF ACTIVITIES
Year ended December 31, 2007

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Functions/Programs				
Governmental activities:				
Legislative	\$ 37,148	\$ -	\$ -	\$ -
General government	1,541,684	21,645	-	-
Public safety	1,786,724	1,878,500	-	-
Public works	403,311	1,190,381	13,432	6,100
Community and economic development	304,892	67,797	-	-
Culture and recreation	97,871	30,206	-	5,000
Interest	8,074	-	-	-
	<u>4,179,704</u>	<u>3,188,529</u>	<u>13,432</u>	<u>11,100</u>
Business-type activity:				
Building inspections	<u>432,883</u>	<u>557,891</u>	<u>-</u>	<u>-</u>
	<u>\$4,612,587</u>	<u>\$3,746,420</u>	<u>\$ 13,432</u>	<u>\$ 11,100</u>
Component unit:				
Downtown Development Authority	<u>\$ 11,482</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
		Taxes		
		State grants		
		Franchise fees		
		Investment income		
		Total general revenues		
Change in net assets				
Net assets - beginning				
Net assets - ending				

Net (expenses) revenues and changes in net assets

<i>Primary government</i>			<i>Component unit</i>
<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>	<i>Downtown Development Authority</i>
\$ (37,148)		\$ (37,148)	
(1,520,039)		(1,520,039)	
91,776		91,776	
806,602		806,602	
(237,095)		(237,095)	
(62,665)		(62,665)	
<u>(8,074)</u>		<u>(8,074)</u>	
(966,643)		(966,643)	
-	\$ 125,008	125,008	
<u>(966,643)</u>	<u>125,008</u>	<u>(841,635)</u>	
			\$ <u>(11,482)</u>
670,046	-	670,046	93,397
1,216,040	-	1,216,040	-
109,069	-	109,069	-
<u>408,398</u>	<u>48,279</u>	<u>456,677</u>	<u>3,103</u>
<u>2,403,553</u>	<u>48,279</u>	<u>2,451,832</u>	<u>96,500</u>
1,436,910	173,287	1,610,197	85,018
<u>15,143,497</u>	<u>1,201,028</u>	<u>16,344,525</u>	<u>15,097</u>
<u>\$ 16,580,407</u>	<u>\$ 1,374,315</u>	<u>\$ 17,954,722</u>	<u>\$ 100,115</u>

See notes to financial statements

Charter Township of Oshtemo
BALANCE SHEET - governmental funds
December 31, 2007

	<u>General</u>	<u>Fire Operating</u>	<u>General Sewer</u>
ASSETS			
Cash	\$ 1,533,679	\$ 1,623,869	\$ 1,549,489
Investments	972,705	-	-
Receivables	<u>708,427</u>	<u>702,368</u>	<u>80,781</u>
Total assets	<u>\$ 3,214,811</u>	<u>\$ 2,326,237</u>	<u>\$ 1,630,270</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables	\$ 143,730	\$ 47,531	\$ 30,401
Deferred revenue	<u>819,762</u>	<u>1,327,600</u>	<u>59,054</u>
Total liabilities	<u>963,492</u>	<u>1,375,131</u>	<u>89,455</u>
Fund balances:			
Unreserved	2,251,319	951,106	1,540,815
Unreserved, reported in non major:			
Special revenue funds	-	-	-
Debt service funds	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>2,251,319</u>	<u>951,106</u>	<u>1,540,815</u>
Total liabilities and fund balances	<u>\$ 3,214,811</u>	<u>\$ 2,326,237</u>	<u>\$ 1,630,270</u>

Total fund balances - governmental funds

Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

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

Long-term liabilities, including notes payable and accrued compensation, are not due and payable in the current period and, therefore, are not reported in the funds.

Special assessments receivable are not available to pay for the current period's expenditures and, therefore, are deferred in the funds.

Net assets of *governmental activities*

<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
\$ 974,389	\$ 5,681,426
-	972,705
770,563	2,262,139
<u>\$ 1,744,952</u>	<u>\$ 8,916,270</u>
\$ 800	\$ 222,462
892,768	3,099,184
893,568	3,321,646
-	4,743,240
	-
822,639	822,639
28,745	28,745
851,384	5,594,624
<u>\$ 1,744,952</u>	<u>\$ 8,916,270</u>
	 \$ 5,594,624
	 10,857,536
	 (177,006)
	 <u>305,253</u>
	 <u>\$ 16,580,407</u>

See notes to financial statements

Charter Township of Oshtemo
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
governmental funds
Year ended December 31, 2007

	<u>General</u>	<u>Fire Operating</u>	<u>General Sewer</u>
REVENUES			
Taxes	\$ 670,046	\$ -	\$ -
Licenses and permits	176,900	-	-
State grants	1,229,472	-	-
Charges for services	19,924	-	760,829
Fines and forfeitures	-	-	-
Interest and rentals	200,130	56,174	89,272
Other	128,471	1,254,512	31,240
	<u>2,424,943</u>	<u>1,310,686</u>	<u>881,341</u>
Total revenues			
EXPENDITURES			
Legislative	37,148	-	-
General government	1,408,015	-	-
Public safety	-	1,150,815	-
Public works	239,636	-	844,189
Community and economic development	303,792	-	-
Culture and recreation	-	-	-
Debt service:			
Principal	21,969	-	-
Interest	1,538	-	-
Capital outlay	258,402	33,283	-
	<u>2,270,500</u>	<u>1,184,098</u>	<u>844,189</u>
Total expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>154,443</u>	<u>126,588</u>	<u>37,152</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers out	(297,519)	-	-
	<u>(297,519)</u>	<u>-</u>	<u>-</u>
Total other sources (uses)			
NET CHANGES IN FUND BALANCES	(143,076)	126,588	37,152
FUND BALANCES - BEGINNING	<u>2,394,395</u>	<u>824,518</u>	<u>1,503,663</u>
FUND BALANCES - ENDING	<u>\$ 2,251,319</u>	<u>\$ 951,106</u>	<u>\$ 1,540,815</u>

<i>Other nonmajor governmental funds</i>	<i>Total governmental funds</i>
\$ -	\$ 670,046
-	176,900
-	1,229,472
314,590	1,095,343
15,290	15,290
93,028	438,604
<u>630,391</u>	<u>2,044,614</u>
<u>1,053,299</u>	<u>5,670,269</u>
-	37,148
-	1,408,015
441,345	1,592,160
331,413	1,415,238
-	303,792
49,199	49,199
43,128	65,097
6,536	8,074
<u>150,211</u>	<u>441,896</u>
<u>1,021,832</u>	<u>5,320,619</u>
<u>31,467</u>	<u>349,650</u>
297,519	297,519
<u>-</u>	<u>(297,519)</u>
<u>297,519</u>	<u>-</u>
328,986	349,650
<u>522,398</u>	<u>5,244,974</u>
<u>\$ 851,384</u>	<u>\$ 5,594,624</u>

See notes to financial statements

Charter Township of Oshtemo
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
governmental funds (Continued)
Year ended December 31, 2007

Net change in fund balances - total governmental funds	\$ 349,650
Amounts reported for <i>governmental activities</i> in the statement of activities (page 6) are different because:	
Capital assets:	
Assets acquired	1,551,380
Provision for depreciation (including basis of assets disposed of \$10,998)	(426,071)
Long-term debt:	
Principal repayments	81,502
Net increase in accrued liabilities	(21,000)
Changes in other assets/liabilities:	
Net decrease in deferred revenue	<u>(98,551)</u>
Change in net assets of <i>governmental activities</i>	<u>\$ 1,436,910</u>

See notes to financial statements

Charter Township of Oshtemo
STATEMENT OF NET ASSETS - proprietary fund
December 31, 2007

	<u>Building Inspections</u>
ASSETS	
Current assets - cash	\$ 1,007,923
Noncurrent assets - capital assets, net of accumulated depreciation	<u>367,042</u>
Total assets	<u>1,374,965</u>
LIABILITIES	
Payables	<u>650</u>
NET ASSETS	
Invested in capital assets	367,042
Unrestricted	<u>1,007,273</u>
Total net assets	<u>\$ 1,374,315</u>

See notes to financial statements

Charter Township of Oshtemo
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET
ASSETS - proprietary fund
Year ended December 31, 2007

	<u><i>Building Inspections</i></u>
OPERATING REVENUES	\$ 557,891
OPERATING EXPENSES	<u>432,883</u>
OPERATING INCOME	125,008
NONOPERATING INCOME	
Interest	<u>48,279</u>
CHANGE IN NET ASSETS	173,287
NET ASSETS - BEGINNING	<u>1,201,028</u>
NET ASSETS - ENDING	<u>\$ 1,374,315</u>

See notes to financial statements

Charter Township of Oshtemo
STATEMENT OF CASH FLOWS - proprietary fund
Year ended December 31, 2007

	<u>Building Inspections</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 557,891
Payments to employees	(137,680)
Payments for goods and services	<u>(277,923)</u>
Net cash provided by operating activities	142,288
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(36,929)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>48,279</u>
NET INCREASE IN CASH	153,638
CASH - BEGINNING	<u>854,285</u>
CASH - ENDING	<u><u>\$ 1,007,923</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 125,008
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	16,125
Decrease in prepaid expenses	1,676
Decrease in accounts payable	<u>(521)</u>
Net cash provided by operating activities	<u><u>\$ 142,288</u></u>

See notes to financial statements

Charter Township of Oshtemo
STATEMENT OF FIDUCIARY NET ASSETS - Agency Fund
 December 31, 2007

	<u>Retiree Medical Trust</u>	<u>Agency</u>
ASSETS		
Cash	\$ -	\$ 3,035,738
Investments	<u>60,000</u>	<u>-</u>
Total assets	<u>\$ 60,000</u>	<u>\$ 3,035,738</u>
LIABILITIES		
Payables		<u>\$ 3,035,738</u>
NET ASSETS		
Held in trust for retirees' health benefits	<u>\$ 60,000</u>	

See notes to financial statements

Charter Township of Oshtemo
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
December 31, 2007

	<u>Retiree Medical Trust</u>
ADDITIONS	
Contributions - employer	\$ 60,000
NET ASSETS HELD IN TRUST FOR RETIREE HEALTH BENEFITS:	
Beginning	<u>-</u>
Ending	<u>\$ 60,000</u>

See notes to financial statements

Charter Township of Oshtemo
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

a) Reporting entity:

The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township.

Discretely-presented component unit:

Downtown Development Authority:

The component unit's governing body is appointed by the Township Board. Separate financial statements for the component unit have not been issued as management believes that these financial statements, including disclosures, contain complete information so as to constitute a fair presentation.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the Township. The effect of inter-fund 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.

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

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

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

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

Charter Township of Oshtemo
NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

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

The Fire Operating Fund accounts for the financial resources used for the operational costs of the Township fire protection. Revenues are primarily derived from special assessments.

The General Sewer Fund accounts for the financial resources used for the expansion and repairs and maintenance of waste water transmission lines in the Township. Revenues are primarily derived from connection and availability fees.

The Township reports a single proprietary fund, Building Inspections Fund, which accounts for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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 the standards of the Governmental Accounting Standards Board (GASB).

Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

Charter Township of Oshtemo
NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

Additionally, the Township reports the following fund types:

The agency funds account for the collection and disbursements of taxes and other monies due to other units of government and individuals.

The Retiree Medical Trust Fund accounts for assets held to provide medical benefits to eligible retiree participants and their dependents.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues 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 revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

iv) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets other than infrastructure are defined by the government as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Charter Township of Oshtemo
NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

iv) *Capital assets* (continued) - Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning January 1, 2004.

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

Land improvements	15 - 30 years
Buildings and improvements	15 - 60 years
Equipment	3 - 5 years
Infrastructure	10 - 50 years

v) *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.

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

The Township has not adopted budgets for the General Water and General Sewer funds.

NOTE 3 - CASH AND INVESTMENTS:

Cash and investments as presented in the accompanying financial statements, consisted of the following:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Fiduciary net assets:</u>		<u>Component Unit</u>
			<u>Retiree Medical Trust</u>	<u>Agency</u>	
Cash	\$ 5,681,426	\$ 1,007,923	\$ -	\$ 3,035,738	\$ 131,658
Investments	<u>972,705</u>	<u>-</u>	<u>60,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,654,131</u>	<u>\$ 1,007,923</u>	<u>\$ 60,000</u>	<u>\$ 3,035,738</u>	<u>\$ 131,658</u>

Charter Township of Oshtemo
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued):

Deposits:

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township's deposits are in accordance with statutory authority

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance. As of December 31, 2007, \$9,959,073 of the Township's bank balances of \$10,359,073 was exposed to custodial credit risk because it was uninsured. The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Investments:

State statutes authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, with three (3) highest rate classifications by at least two (2) rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; e) mutual funds; and f) investment pools organized under the local government investment pool act. Not more than 50% of any mutual fund may be invested in commercial paper. The Township's investments consist of holdings in the Michigan Class Investment Pool, which are nonrisk categorized, qualifying investments that are carried at cost, which approximates fair market value.

NOTE 4 - RECEIVABLES:

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

<u>Fund</u>	<u>Property taxes</u>	<u>Accounts</u>	<u>Special assessments</u>	<u>Inter-governmental</u>	<u>Totals</u>
<i>Primary government:</i>					
General	\$ 450,743	\$ 27,059	\$ -	\$ 230,625	\$ 708,427
Fire Operating	-	-	702,368	-	702,368
General Sewer	-	-	80,781	-	80,781
Other governmental	-	-	770,563	-	770,563
Totals	<u>\$ 450,743</u>	<u>\$ 27,059</u>	<u>\$ 1,553,712</u>	<u>\$ 230,625</u>	<u>\$ 2,262,139</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 359,576</u>	<u>\$ -</u>	<u>\$ 359,576</u>
<i>Component unit:</i>					
Downtown Development Authority	<u>\$ 33,288</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,288</u>

All receivables are considered fully collectible.

Charter Township of Oshtemo
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - DEFERRED REVENUE:

Governmental funds report deferred revenues in connection with resources that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenues are as follows:

<u>Fund</u>	<u>Unearned</u>	<u>Unavailable</u>	<u>Totals</u>
<i>Primary government:</i>			
General	\$ 819,762	\$ -	\$ 819,762
Fire Operating	1,327,600	-	1,327,600
General Sewer	-	59,054	59,054
Other governmental	<u>646,569</u>	<u>246,199</u>	<u>892,768</u>
 Totals	 <u>\$ 2,793,931</u>	 <u>\$ 305,253</u>	 <u>\$ 3,099,184</u>
 <i>Component unit:</i>			
Downtown Development Authority	<u>\$ 56,735</u>	<u>\$ -</u>	<u>\$ 56,735</u>

NOTE 6 - PROPERTY TAXES:

The Township property tax is levied on each December 1 on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31.

Although the Township 2007 ad valorem tax is levied and collectible on December 1, 2007, it is the Township's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of this levy are budgeted and made "available" for the financing of operations.

The 2007 taxable valuation of the Township totaled \$703,210,264, on which ad valorem taxes levied consisted of the following:

<u>Fund</u>	<u>Millage rate</u>	<u>Purpose</u>	<u>Taxes raised</u>
General	0.9765	Operating	\$ 686,685

This amount is recognized in the financial statements as taxes receivable, with an offsetting credit to deferred revenue.

Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Charter Township of Oshtemo
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - CAPITAL ASSETS:

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

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	\$ 238,616	\$ -	\$ -	\$ 238,616
Capital assets being depreciated:				
Buildings and improvements	5,262,628	135,172	(8,070)	5,389,730
Equipment	892,771	113,656	(22,148)	984,279
Vehicles	1,951,941	-	(198,905)	1,753,036
Infrastructure	4,195,513	1,302,552	-	5,498,065
Subtotal	<u>12,302,853</u>	<u>1,551,380</u>	<u>(229,123)</u>	<u>13,625,110</u>
Less accumulated depreciation for:				
Buildings and improvements	(977,796)	(144,683)	5,798	(1,116,681)
Equipment	(466,204)	(86,819)	15,254	(537,769)
Vehicles	(1,243,137)	(75,164)	197,073	(1,121,228)
Infrastructure	(122,105)	(108,407)	-	(230,512)
Subtotal	<u>(2,809,242)</u>	<u>(415,073)</u>	<u>218,125</u>	<u>(3,006,190)</u>
Total capital assets being depreciated, net	<u>9,493,611</u>	<u>1,136,307</u>	<u>(10,998)</u>	<u>10,618,920</u>
Governmental activities capital assets, net	<u>\$ 9,732,227</u>	<u>\$ 1,136,307</u>	<u>\$ (10,998)</u>	<u>\$ 10,857,536</u>
Business-type activities:				
Capital assets being depreciated:				
Buildings	\$ 335,052	\$ -	\$ -	\$ 335,052
Equipment	36,747	36,929	-	73,676
Subtotal	<u>371,799</u>	<u>36,929</u>	<u>-</u>	<u>408,728</u>
Less accumulated depreciation for:				
Buildings	(10,940)	(8,834)	-	(19,774)
Equipment	(14,621)	(7,291)	-	(21,912)
Subtotal	<u>(25,561)</u>	<u>(16,125)</u>	<u>-</u>	<u>(41,686)</u>
Business-type activities capital assets, net	<u>\$ 346,238</u>	<u>\$ 20,804</u>	<u>\$ -</u>	<u>\$ 367,042</u>

Charter Township of Oshtemo
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - CAPITAL ASSETS (Continued):

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

	<i>Governmental activities</i>	<i>Business-type activities</i>
General government	\$ 107,371	\$ -
Public safety	175,561	16,125
Public works	106,029	-
Recreation and cultural	<u>26,112</u>	<u>-</u>
Total	<u>\$ 415,073</u>	<u>\$ 16,125</u>

NOTE 8 - LONG-TERM DEBT:

Long-term debt at December 31, 2007, is comprised of the following:

Accrued compensated absences	\$ 50,800
MDEQ lien payable	32,810
Note payable:	
\$384,834 note payable (PA99 of 1933), due in semi-annual installments of \$15,217 to \$24,832 through September 2009, plus interest at 5.14%	<u>93,396</u>
Total long-term debt	<u>\$ 177,006</u>

Long-term obligation activity for the year ended December 31, 2007, was as follows:

	<i>Beginning balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending balance</i>	<i>Amounts due within one year</i>
Governmental activities:					
Compensated absences	\$ 29,800	\$ 85,961	\$ 64,961	\$ 50,800	\$ -
Lien payable	49,215	-	16,405	32,810	16,405
Note payable	136,524	-	43,128	93,396	45,412
Contract payable	<u>21,969</u>	<u>-</u>	<u>21,969</u>	<u>-</u>	<u>-</u>
Total long-term obligations	<u>\$ 237,508</u>	<u>\$ 85,961</u>	<u>\$ 146,463</u>	<u>\$ 177,006</u>	<u>\$ 61,817</u>

Charter Township of Oshtemo
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - LONG-TERM DEBT (Continued):

At December 31, 2007, debt service requirements, excluding compensated absences and lien payable, are as follows:

<u>Year ended</u> <u>December 31,</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 45,412	\$ 4,252
2009	<u>48,524</u>	<u>1,888</u>
Totals	<u>\$ 93,936</u>	<u>\$ 6,140</u>

NOTE 9 - PAYABLES:

<u>Fund</u>	<u>Accounts</u>	<u>Accrued liabilities</u>	<u>Totals</u>
General	\$ 143,730	\$ -	\$ 143,730
Fire Operating	25,055	22,476	47,531
General Sewer	30,401	-	30,401
Other governmental	<u>800</u>	<u>-</u>	<u>800</u>
Total governmental activities	<u>\$ 199,986</u>	<u>\$ 22,476</u>	<u>\$ 222,462</u>
Business-type activities	<u>\$ 650</u>	<u>\$ -</u>	<u>\$ 650</u>
Component unit	<u>\$ 16,807</u>	<u>\$ -</u>	<u>\$ 16,807</u>

NOTE 10 - INTERFUND TRANSFERS:

A summary of interfund transfers for the year ended December 31, 2007, is as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
Other governmental	<u>\$ 297,519</u>	General	<u>\$ 297,519</u>

The transfers to the other governmental funds represent an operating transfer to cover additional costs associated with police protection and park improvements in those funds.

Charter Township of Oshtemo
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The risks of loss arising from general liability up to \$7,000,000, property and casualty, and workers' compensation are managed through purchased commercial insurance.

NOTE 12 - DEFINED CONTRIBUTION AND MONEY PURCHASE PLAN:

The Township maintains a defined contribution plan (Township of Oshtemo Group Pension Plan) through which it provides pension benefits to its employees. The plan covers all full-time employees, Township trustees, and part-time firefighters. The plan is administered by an insurance company.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Eligible employees may begin participating on the date the plan started, or on the first day of the month coincident with, or immediately following, their date of employment, if later.

The Township contributes 12½% of the annual compensation amounts of the eligible full-time employees, trustees, and firefighters, and 10% of the annual compensation for enforcement officers. All of the Township's contributions for participating full-time employees and trustees (and interest allocated to the participants' accounts) are fully vested after 20 months of continuous service. The Township's contributions for, and interest forfeited by, employees who leave employment before vesting are used to reduce the Township's current period contribution requirement. The Township's contributions for firefighters vest immediately.

The Township made the required contributions in the amount of \$170,955 for 2007. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

NOTE 13 - POST-EMPLOYMENT BENEFITS:

The Township has elected to provide post-employment health benefits to retirees of the Township. The Township pays the full cost of coverage of these benefits for retirees and their dependents. Currently two retirees are eligible for post-employment health benefits. For the fiscal year ending December 31, 2007, the Township made payments for post-employment health benefit premiums of \$16,680. The Township obtains health care coverage through private insurers.

NOTE 14 - CONTINGENCIES:

The Township is a party to a Consent Decree entered November 17, 1992, settling the claim of U.S. Environmental Protection Agency under CERCLA against the Township and other potentially responsible parties concerning remedial action at the KL Avenue Landfill located in the Township. The Township has potential liability under the Consent Decree for in-kind services and cash payments, the amount for which it is not practicable to estimate at this time.

REQUIRED SUPPLEMENTARY INFORMATION

Charter Township of Oshtemo

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended December 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 658,216	\$ 658,216	\$ 670,046	\$ 11,830
Licenses and permits	115,500	115,500	176,900	61,400
State grants	1,217,000	1,230,430	1,229,472	(958)
Charges for services	16,500	16,500	19,924	3,424
Interest and rentals	50,000	50,000	200,130	150,130
Other	134,037	134,037	128,471	(5,566)
Total revenues	<u>2,191,253</u>	<u>2,204,683</u>	<u>2,424,943</u>	<u>220,260</u>
EXPENDITURES				
Legislative	<u>39,300</u>	<u>39,300</u>	<u>37,148</u>	<u>2,152</u>
General government:				
Supervisor	98,674	98,674	106,326	(7,652)
Election	19,500	17,500	5,390	12,110
Assessor	140,460	139,860	163,913	(24,053)
Clerk	122,818	122,818	122,745	73
Treasurer	102,470	102,470	98,242	4,228
Professional services	247,000	138,000	132,614	5,386
Cemetery, buildings, and grounds	73,500	87,825	82,225	5,600
General operations	446,101	718,202	696,560	21,642
Total general government	<u>1,250,523</u>	<u>1,425,349</u>	<u>1,408,015</u>	<u>17,334</u>
Public works:				
Highways and streets	121,000	121,000	104,369	16,631
Street lights	129,037	129,037	108,553	20,484
Waste collection	28,000	30,000	26,714	3,286
Total public works	<u>278,037</u>	<u>280,037</u>	<u>239,636</u>	<u>40,401</u>
Community and economic development				
- planning and zoning	<u>349,424</u>	<u>361,624</u>	<u>303,792</u>	<u>57,832</u>

Charter Township of Oshtemo
BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)
Year ended December 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Debt service:				
Principal	\$ 22,000	\$ 22,000	\$ 21,969	\$ 31
Interest	1,350	2,500	1,538	962
Capital outlay	157,500	295,700	258,402	37,298
Total expenditures	<u>2,098,134</u>	<u>2,426,510</u>	<u>2,270,500</u>	<u>156,010</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>93,119</u>	<u>(221,827)</u>	<u>154,443</u>	<u>376,270</u>
OTHER FINANCING USES				
Operating transfer out:				
Police Fund	(133,144)	(133,144)	(133,144)	-
Parks Fund	(164,375)	(164,375)	(164,375)	-
Total other financing uses	<u>(297,519)</u>	<u>(297,519)</u>	<u>(297,519)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(204,400)	(519,346)	(143,076)	376,270
FUND BALANCES - BEGINNING	<u>2,394,395</u>	<u>2,394,395</u>	<u>2,394,395</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 2,189,995</u>	<u>\$ 1,875,049</u>	<u>\$ 2,251,319</u>	<u>\$ 376,270</u>

Charter Township of Oshtemo
BUDGETARY COMPARISON SCHEDULE - Fire Operating Fund
Year ended December 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Interest	\$ 20,000	\$ 20,000	\$ 56,174	\$ 36,174
Other:				
Special assessments	1,230,387	1,230,387	1,229,567	(820)
Miscellaneous	<u>15,000</u>	<u>15,000</u>	<u>24,945</u>	<u>9,945</u>
Total revenues	<u>1,265,387</u>	<u>1,265,387</u>	<u>1,310,686</u>	<u>45,299</u>
EXPENDITURES				
Public safety	1,208,937	1,258,437	1,150,815	107,622
Capital outlay	<u>56,450</u>	<u>34,450</u>	<u>33,283</u>	<u>1,167</u>
Total expenditures	<u>1,265,387</u>	<u>1,292,887</u>	<u>1,184,098</u>	<u>108,789</u>
NET CHANGE IN FUND BALANCES	-	(27,500)	126,588	154,088
FUND BALANCES - BEGINNING	<u>824,518</u>	<u>824,518</u>	<u>824,518</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 824,518</u>	<u>\$ 797,018</u>	<u>\$ 951,106</u>	<u>\$ 154,088</u>

SUPPLEMENTARY INFORMATION

Charter Township of Oshtemo
COMBINING BALANCE SHEET - nonmajor governmental funds
 December 31, 2007

	<u>Special revenue funds</u>			
	<u>Parks</u>	<u>Police</u>	<u>Fire Equipment</u>	<u>General Water</u>
ASSETS				
Cash	\$ 141,442	\$ 125,275	\$ 369,986	\$ 311,974
Receivables	<u>-</u>	<u>288,894</u>	<u>175,074</u>	<u>300,276</u>
Total assets	<u>\$ 141,442</u>	<u>\$ 414,169</u>	<u>\$ 545,060</u>	<u>\$ 612,250</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 375	\$ 425	\$ -	\$ -
Deferred revenue	<u>-</u>	<u>314,669</u>	<u>331,900</u>	<u>242,913</u>
Total liabilities	375	315,094	331,900	242,913
Fund balances - unreserved, undesignated	<u>141,067</u>	<u>99,075</u>	<u>213,160</u>	<u>369,337</u>
Total liabilities and fund balances	<u>\$ 141,442</u>	<u>\$ 414,169</u>	<u>\$ 545,060</u>	<u>\$ 612,250</u>

Debt service fund	
90-5 Water & 90-6 Sewer	Totals
\$ 25,712	\$ 974,389
<u>6,319</u>	<u>770,563</u>
<u>\$ 32,031</u>	<u>\$ 1,744,952</u>
\$ -	\$ 800
<u>3,286</u>	<u>892,768</u>
3,286	893,568
<u>28,745</u>	<u>851,384</u>
<u>\$ 32,031</u>	<u>\$ 1,744,952</u>

Charter Township of Oshtemo

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

Year ended December 31, 2007

	<i>Special revenue funds</i>			
	<i>Parks</i>	<i>Police</i>	<i>Fire Equipment</i>	<i>General Water</i>
REVENUES				
Charges for service	\$ -	\$ 12,687	\$ -	\$ 301,903
Fines and forfeitures	-	15,290	-	-
Interest and rentals	30,206	13,230	14,703	32,628
Other	5,000	288,556	307,398	24,718
Total revenues	<u>35,206</u>	<u>329,763</u>	<u>322,101</u>	<u>359,249</u>
EXPENDITURES				
Public safety	-	441,345	-	-
Public works	-	-	-	331,413
Culture and recreation	49,199	-	-	-
Debt service:				
Principal	-	-	43,128	-
Interest	-	-	6,536	-
Capital outlay	82,219	-	67,992	-
Total expenditures	<u>131,418</u>	<u>441,345</u>	<u>117,656</u>	<u>331,413</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(96,212)	(111,582)	204,445	27,836
OTHER FINANCING SOURCES				
Operating transfer in - General Fund	<u>164,375</u>	<u>133,144</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	68,163	21,562	204,445	27,836
FUND BALANCES - BEGINNING	<u>72,904</u>	<u>77,513</u>	<u>8,715</u>	<u>341,501</u>
FUND BALANCES - ENDING	<u>\$ 141,067</u>	<u>\$ 99,075</u>	<u>\$ 213,160</u>	<u>\$ 369,337</u>

**Debt service
fund**

**90-5 Water &
90-6 Sewer**

Totals

\$	-	\$	314,590
	-		15,290
	2,261		93,028
	4,719		630,391

	6,980		1,053,299
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-	441,345
-	331,413
-	49,199

-	43,128
-	6,536
-	150,211

-	1,021,832
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6,980	31,467
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-	297,519
---	---------

6,980	328,986
-------	---------

21,765	522,398
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\$	28,745	\$	851,384
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May 29, 2008

To the Board of Trustees
Charter Township of Oshtemo

We have audited the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Oshtemo for the year ended December 31, 2007, and have issued our report thereon dated May 29, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated November 27, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Charter Township of Oshtemo are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into by Charter Township of Oshtemo during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Township's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.



1958-2008

The disclosures in the financial statements are neutral, consistent, and clear.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended December 31, 2007.

Other Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Charter Township of Oshtemo's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the Charter Township of Oshtemo as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Charter Township of Oshtemo's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

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

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

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

The Township has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of recording revenue and expense accruals, the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. This is a recurring comment. The Township has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of the Board of Trustees of the Charter Township of Oshtemo and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Sigfried Crandall P.C.