

Charter Township of Niles
Berrien 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 Niles, Michigan**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Niles, 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, each major fund, and the aggregate remaining fund information of the Charter Township of Niles, 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.

As discussed in Note 14 to the financial statements, certain errors in previously reported capital assets and accumulated depreciation were discovered by management of the Township during the current year. Accordingly, an adjustment has been made to net assets as of January 1, 2007 to correct the amounts previously reported.

The budgetary comparison information and schedule of funding progress on pages 31 through 35 are not a required part of the basic financial statements but are 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 Niles has not presented a management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.



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

Sigfried Crandall P.C.

June 16, 2008

BASIC FINANCIAL STATEMENTS

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

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 2,058,611	\$ 1,782,038	\$ 3,840,649
Investments	750,775	1,561,267	2,312,042
Receivables, net	1,237,004	606,955	1,843,959
Interfund balances	<u>(14,510)</u>	<u>14,510</u>	<u>-</u>
Total current assets	<u>4,031,880</u>	<u>3,964,770</u>	<u>7,996,650</u>
Noncurrent assets:			
Receivables, noncurrent	21,219	1,523,050	1,544,269
Deferred charges	-	39,868	39,868
Capital assets not being depreciated - land	97,158	-	97,158
Capital assets, net of accumulated depreciation	<u>2,876,622</u>	<u>11,471,229</u>	<u>14,347,851</u>
Total noncurrent assets	<u>2,994,999</u>	<u>13,034,147</u>	<u>16,029,146</u>
Total assets	<u>7,026,879</u>	<u>16,998,917</u>	<u>24,025,796</u>
LIABILITIES			
Current liabilities:			
Payables	42,698	139,090	181,788
Deferred revenue	1,384,545	-	1,384,545
Current portion of long-term obligations	<u>-</u>	<u>125,000</u>	<u>125,000</u>
Total current liabilities	1,427,243	264,090	1,691,333
Long-term debt	<u>-</u>	<u>1,655,768</u>	<u>1,655,768</u>
Total liabilities	<u>1,427,243</u>	<u>1,919,858</u>	<u>3,347,101</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,973,780	9,730,329	12,704,109
Restricted:			
Debt service	-	1,359,463	1,359,463
Cemetery	7,170	-	7,170
Public safety	179,615	-	179,615
Public works	30,298	-	30,298
Unrestricted	<u>2,408,773</u>	<u>3,989,267</u>	<u>6,398,040</u>
Total net assets	<u>\$ 5,599,636</u>	<u>\$ 15,079,059</u>	<u>\$ 20,678,695</u>

See notes to the financial statements

Charter Township of Niles
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	\$ 52,727	\$ -	\$ -	\$ -
General government	508,791	20,828	-	-
Public safety	1,921,648	263,270	2,717	135,970
Public works	153,510	48,483	9,903	-
Recreation and culture	92,698	1,635	-	-
Community and economic development	42,402	7,775	-	-
	<u>2,771,776</u>	<u>341,991</u>	<u>12,620</u>	<u>135,970</u>
Total governmental activities				
Business-type activities:				
Sewer	1,414,474	1,257,936	-	-
Water	272,894	170,171	-	12,822
	<u>1,687,368</u>	<u>1,428,107</u>	<u>-</u>	<u>12,822</u>
Total business-type activities				
Totals	<u>\$ 4,459,144</u>	<u>\$ 1,770,098</u>	<u>\$ 12,620</u>	<u>\$ 148,792</u>

General revenues:

Property taxes
State grants
Franchise fees
Investment return

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

Net (expenses) revenues and changes in net assets

<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
\$ (52,727)		\$ (52,727)
(487,963)		(487,963)
(1,519,691)		(1,519,691)
(95,124)		(95,124)
(91,063)		(91,063)
<u>(34,627)</u>		<u>(34,627)</u>
 <u>(2,281,195)</u>		 <u>(2,281,195)</u>
-	\$ (156,538)	(156,538)
-	(89,901)	(89,901)
 <u>-</u>	 <u>(246,439)</u>	 <u>(246,439)</u>
<u>(2,281,195)</u>	<u>(246,439)</u>	<u>(2,527,634)</u>
1,325,167	-	1,325,167
1,010,874	-	1,010,874
55,845	-	55,845
169,639	265,523	435,162
<u>2,561,525</u>	<u>265,523</u>	<u>2,827,048</u>
280,330	19,084	299,414
<u>5,319,306</u>	<u>15,059,975</u>	<u>20,379,281</u>
<u>\$ 5,599,636</u>	<u>\$ 15,079,059</u>	<u>\$ 20,678,695</u>

See notes to the financial statements

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

	<u>General</u>	<u>Fire Operating</u>	<u>Fire Equipment</u>
ASSETS			
Cash	\$ 851,445	\$ 452,302	\$ 269,784
Investments	258,466	28	54,951
Receivables, net	545,846	464,943	185,968
Due from other funds	<u>1,420,785</u>	<u>25,617</u>	<u>-</u>
Total assets	<u>\$ 3,076,542</u>	<u>\$ 942,890</u>	<u>\$ 510,703</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables	\$ 20,026	\$ 1,899	\$ 2,735
Due to other funds	-	-	1,364,696
Deferred revenue	<u>285,856</u>	<u>761,376</u>	<u>304,535</u>
Total liabilities	<u>305,882</u>	<u>763,275</u>	<u>1,671,966</u>
Fund balances:			
Unreserved, undesignated	1,398,794	179,615	(1,161,263)
Reserved	1,371,866	-	-
Unreserved, undesignated of nonmajor funds:			
Special revenue	-	-	-
Capital project	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances (deficit)	<u>2,770,660</u>	<u>179,615</u>	<u>(1,161,263)</u>
Total liabilities and fund balances	<u>\$ 3,076,542</u>	<u>\$ 942,890</u>	<u>\$ 510,703</u>

Total fund balances

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, therefore, are not reported in the funds.

Certain assets are not considered available financial resources and, therefore, are deferred in the funds.

Net assets of *governmental activities* (page 5)

Other governmental funds	Total
\$ 413,754	\$ 1,987,285
437,330	750,775
61,466	1,258,223
<u>59,504</u>	<u>1,505,906</u>
<u>\$ 972,054</u>	<u>\$ 5,502,189</u>

\$ 16,169	\$ 40,829
86,263	1,450,959
<u>63,076</u>	<u>1,414,843</u>
<u>165,508</u>	<u>2,906,631</u>

-	417,146
-	1,371,866

573,915	573,915
<u>232,631</u>	<u>232,631</u>
<u>806,546</u>	<u>2,595,558</u>

<u>\$ 972,054</u>	<u>\$ 5,502,189</u>
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	\$ 2,595,558
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2,973,780

30,298

\$ 5,599,636

See notes to the financial statements

Charter Township of Niles

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

Year ended December 31, 2007

	<u>General</u>	<u>Fire Operating</u>	<u>Fire Equipment</u>
REVENUES			
Taxes	\$ 296,746	\$ 744,511	\$ 297,767
Federal grants	-	-	135,970
State grants	1,020,777	-	-
Fines and forfeitures	7,541	-	-
Licenses and permits	268,641	-	-
Charges for services	37,581	47,668	-
Interest and rentals	143,137	31,006	16,707
Other	1,864	4,215	-
	<u>1,776,287</u>	<u>827,400</u>	<u>450,444</u>
Total revenues			
EXPENDITURES			
Legislative	52,727	-	-
General government	486,241	-	774
Public safety	979,345	794,281	-
Public works	42,226	-	-
Recreation and culture	79,615	-	-
Community and economic development	42,402	-	-
Capital outlay	6,462	-	179,355
Interest	-	-	55,111
	<u>1,689,018</u>	<u>794,281</u>	<u>235,240</u>
Total expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	87,269	33,119	215,204
FUND BALANCES - BEGINNING	<u>2,683,391</u>	<u>146,496</u>	<u>(1,376,467)</u>
FUND BALANCES - ENDING	<u>\$ 2,770,660</u>	<u>\$ 179,615</u>	<u>\$ (1,161,263)</u>

<i>Other governmental funds</i>	<i>Total</i>
\$ -	\$ 1,339,024
-	135,970
-	1,020,777
-	7,541
-	268,641
-	85,249
40,019	230,869
<u>24,189</u>	<u>30,268</u>
<u>64,208</u>	<u>3,118,339</u>
-	52,727
1,532	488,547
-	1,773,626
112,380	154,606
-	79,615
-	42,402
16,725	202,542
<u>-</u>	<u>55,111</u>
<u>130,637</u>	<u>2,849,176</u>
(66,429)	269,163
<u>872,975</u>	<u>2,326,395</u>
<u>\$ 806,546</u>	<u>\$ 2,595,558</u>

See notes to the financial statements

Charter Township of Niles

**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 (page 8)	\$ 269,163
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Capital assets:	
Additions	196,394
Provision for depreciation	(175,682)
Change in deferred revenue	<u>(9,545)</u>
Change in net assets of <i>governmental activities</i> (page 6)	<u>\$ 280,330</u>

See notes to the financial statements

Charter Township of Niles
STATEMENT OF NET ASSETS - proprietary funds
December 31, 2007

	Business-type activities			Governmental activities
	Enterprise funds			Internal service
	Sewer	Water	Totals	
ASSETS				
Current assets:				
Cash	\$ 1,254,875	\$ 527,163	\$ 1,782,038	\$ 71,326
Investments	1,138,321	422,946	1,561,267	-
Receivables	436,898	170,057	606,955	-
Due from other funds	534,784	578	535,362	-
Total current assets	<u>3,364,878</u>	<u>1,120,744</u>	<u>4,485,622</u>	<u>71,326</u>
Noncurrent assets:				
Receivables, non-current	309,916	1,213,134	1,523,050	-
Deferred charges	-	39,868	39,868	-
Capital assets, net of accumulated depreciation	<u>8,085,057</u>	<u>3,386,172</u>	<u>11,471,229</u>	<u>-</u>
Total noncurrent assets	<u>8,394,973</u>	<u>4,639,174</u>	<u>13,034,147</u>	<u>-</u>
Total assets	<u>11,759,851</u>	<u>5,759,918</u>	<u>17,519,769</u>	<u>71,326</u>
LIABILITIES				
Current liabilities:				
Payables	106,186	32,904	139,090	1,869
Due to other funds	-	520,852	520,852	69,457
Total current liabilities	106,186	553,756	659,942	71,326
Long-term debt	-	1,780,768	1,780,768	-
Total liabilities	<u>106,186</u>	<u>2,334,524</u>	<u>2,440,710</u>	<u>71,326</u>
NET ASSETS				
Invested in capital assets	8,085,057	1,645,272	9,730,329	-
Restricted for debt service	-	1,359,463	1,359,463	-
Unrestricted	<u>3,568,608</u>	<u>420,659</u>	<u>3,989,267</u>	<u>-</u>
Total net assets	<u>\$ 11,653,665</u>	<u>\$ 3,425,394</u>	<u>\$ 15,079,059</u>	<u>\$ -</u>

See notes to the financial statements

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

	Business-type activities			Governmental activities
	Enterprise funds			Internal service
	Sewer	Water	Totals	
OPERATING REVENUES				
Charges for services	\$ 1,237,500	\$ 157,149	\$ 1,394,649	\$ 56,755
Other	20,436	13,022	33,458	1,114
Total operating revenues	<u>1,257,936</u>	<u>170,171</u>	<u>1,428,107</u>	<u>57,869</u>
OPERATING EXPENSES				
Contracted services	851,171	61,043	912,214	-
Personnel costs	246,617	37,461	284,078	-
Internal charges	10,500	1,000	11,500	-
Operations and supplies	92,475	29,733	122,208	-
Depreciation	213,711	80,816	294,527	-
Employee benefits	-	-	-	61,155
Total operating expenses	<u>1,414,474</u>	<u>210,053</u>	<u>1,624,527</u>	<u>61,155</u>
OPERATING LOSS	<u>(156,538)</u>	<u>(39,882)</u>	<u>(196,420)</u>	<u>(3,286)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest	162,975	129,758	292,733	3,286
Interest expense	-	(90,051)	(90,051)	-
Total nonoperating revenues	<u>162,975</u>	<u>39,707</u>	<u>202,682</u>	<u>3,286</u>
INCOME BEFORE SPECIAL ASSESSMENTS	6,437	(175)	6,262	-
Special assessments	-	12,822	12,822	-
CHANGE IN NET ASSETS	6,437	12,647	19,084	-
NET ASSETS - BEGINNING	<u>11,647,228</u>	<u>3,412,747</u>	<u>15,059,975</u>	<u>-</u>
NET ASSETS - ENDING	<u>\$ 11,653,665</u>	<u>\$ 3,425,394</u>	<u>\$ 15,079,059</u>	<u>\$ -</u>

See notes to the financial statements

Charter Township of Niles
STATEMENT OF CASH FLOWS - proprietary funds
Year ended December 31, 2007

	<u>Business-type activities</u>			<u>Governmental activities</u>
	<u>Enterprise funds</u>			<u>Internal service</u>
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 1,234,784	\$ 172,526	\$ 1,407,310	\$ 104,436
Payments to vendors and suppliers	(951,840)	(70,594)	(1,022,434)	
Payments to employees	(248,563)	(36,152)	(284,715)	-
Payments of healthcare claims	-	-	-	(66,924)
Internal activity - payments to other funds	(13,990)	(1,000)	(14,990)	20,445
Net cash provided by operating activities	20,391	64,780	85,171	57,957
CASH FLOWS FROM NON-CAPITAL FINANCING				
Decrease in interfund balances	21,026	-	21,026	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Collections on special assessments	6,120	266,094	272,214	-
Acquisition of capital assets	(27,838)	(206,158)	(233,996)	-
Decrease in accounts payable	-	(339,620)	(339,620)	-
Decrease in interfund balances	-	(21,026)	(21,026)	-
Interest paid	-	(101,575)	(101,575)	-
Net cash used in capital and related financing activities	(21,718)	(402,285)	(424,003)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale of investments	-	704,125	704,125	-
Purchase of investments	(97,050)	-	(97,050)	-
Interest and dividends	145,373	113,836	259,209	3,286
Net cash provided by investing activities	48,323	817,961	866,284	3,286
NET INCREASE IN CASH	68,022	480,456	548,478	61,243
CASH - BEGINNING	1,186,853	46,707	1,233,560	10,083
CASH - ENDING	\$ 1,254,875	\$ 527,163	\$ 1,782,038	\$ 71,326

See notes to the financial statements

Charter Township of Niles
STATEMENT OF CASH FLOWS - proprietary funds (Continued)
Year ended December 31, 2007

	<i>Business-type activities</i>			<i>Governmental activities</i>
	<i>Enterprise funds</i>			<i>Internal service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Totals</i>	
Reconciliation of operating loss to net cash provided by operating activities:				
Operating loss	\$ (156,538)	\$ (39,882)	\$ (196,420)	\$ (3,286)
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation	213,711	80,816	294,527	-
(Increase) decrease in:				
Receivables, net	(23,152)	2,355	(20,797)	-
Due from other funds	(3,490)	-	(3,490)	46,567
Increase (decrease) in:				
Payables	(10,140)	21,491	11,351	(5,769)
Due to other funds	-	-	-	20,445
Net cash provided by operating activities	<u>\$ 20,391</u>	<u>\$ 64,780</u>	<u>\$ 85,171</u>	<u>\$ 57,957</u>

See notes to the financial statements

Charter Township of Niles
STATEMENT OF FIDUCIARY NET ASSETS
December 31, 2007

	<u>Employee retirement plans</u>	<u>Agency funds</u>
ASSETS		
Cash	\$ 29,347	\$ 906,340
Investments	4,872,224	-
Receivables	<u>25,579</u>	<u>-</u>
Total assets	<u>4,927,150</u>	<u>\$ 906,340</u>
LIABILITIES		
Payables	9,672	\$ -
Due to other governmental units	-	836,573
Due to others	<u>-</u>	<u>69,767</u>
Total liabilities	<u>9,672</u>	<u>\$ 906,340</u>
NET ASSETS		
Held in trust for employees' pension benefits	<u>\$ 4,917,478</u>	

See notes to the financial statements

Charter Township of Niles
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Year ended December 31, 2007

	<u>Employee retirement plans</u>
ADDITIONS	
Contributions:	
Employer	\$ 121,115
Participants	<u>86,538</u>
Total contributions	207,653
Investment return	<u>396,344</u>
Total additions	603,997
DEDUCTIONS	
Benefits paid	<u>325,754</u>
NET INCREASE	278,243
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:	
Beginning	<u>4,639,235</u>
Ending	<u>\$ 4,917,478</u>

See notes to financial statements

Charter Township of Niles
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

a) Reporting entity.

The Township is governed by an elected board of trustees. In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based upon the application of these criteria, there are no other entities for which the Township exercises oversight responsibility.

b) Government-wide and fund financial statements:

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

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 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 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.

Charter Township of Niles
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 government 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. 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 measurable only when cash is received by the government.

The government reports the following major governmental funds:

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

The Fire Operating Fund accounts for special voted taxes levied to support operating costs of fire protection and response services.

The Fire Equipment Fund accounts for special voted taxes levied to finance capital outlays used in operating costs of fire protection and response services.

The government reports the following major proprietary funds:

The Sewer Fund accounts for the operation of the Township's sewage system and treatment plant.

The Water Fund accounts for the operation of the Township's water mains and pumping facilities.

Additionally, the government reports the following fund types:

The internal service fund accounts for the accumulation and allocation of self-funded healthcare claims program to various Township departments.

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

The pension trust funds account for assets held to provide retirement benefits to eligible participants and their beneficiaries.

Charter Township of Niles
NOTES TO FINANCIAL STATEMENTS (Continued)

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

c) 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 the standards 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 the same limitations. The government has elected not to follow subsequent private-sector standards.

Amounts reported as program revenue 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 revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating 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 and investments - Cash and cash equivalents are considered to be 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.

ii) Receivables and payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal 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.

iii) 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 \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Charter Township of Niles
NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

iii) Capital assets (continued):

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

Buildings and improvements	15 - 50 years
Furniture, fixtures, and equipment	5 - 15 years
Vehicles	5 - 15 years
Infrastructure	20 years
Sewer and water systems	40-75 years

iv) Compensated absences (vacation and sick leave) - It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. However, such benefits must be used within ninety (90) days of year end. A liability for unpaid accumulated vacation and sick leave has been recorded for the portion due to employees upon separation from service with the Township. Vested compensated absences are accrued when earned in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

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.

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, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. Amounts encumbered for purchase orders, contracts, etc., are tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. The Township incurred the following significant budget variances:

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
General	General government	Treasurer	\$ 107,224	\$ 111,686	\$ 4,462
		Other	8,700	44,272	35,572
	Public safety	Building inspection	226,507	233,821	7,314
		Ordinance enforcement	13,431	19,322	5,891
Fire Equipment	Capital outlay	Capital outlay	99,750	179,355	79,605
	Debt service	Interest	-	55,111	55,111

Charter Township of Niles
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Deficit equity position - As of December 31, 2007, the Township reported a deficit in the Fire Equipment Fund of \$1,161,263 which arose from the use of a temporary advance from the General Fund to partially finance a new fire station. The Township intends for the fund to repay the advance over the next four years using a special voted tax.

NOTE 3 - CASH AND INVESTMENTS:

A reconciliation of cash and investments to the Township's deposits and investments, as shown in the government-wide financial statements and in the statement of fiduciary net assets, are as follows:

	<u>Fiduciary net assets:</u>				
	<u>Govern- mental activities</u>	<u>Business- type activities</u>	<u>Employee retirement plans</u>	<u>Agency funds</u>	<u>Total</u>
Cash	\$ 2,058,611	\$ 1,782,038	\$ 29,347	\$ 906,340	\$ 4,776,336
Investments	<u>750,775</u>	<u>1,561,267</u>	<u>4,872,224</u>	<u>-</u>	<u>7,184,266</u>
	<u>\$ 2,809,386</u>	<u>\$ 3,343,305</u>	<u>\$ 4,901,571</u>	<u>\$ 906,340</u>	<u>\$ 11,960,602</u>
Deposits					\$ 4,775,836
Cash on hand					500
Investments					<u>7,184,266</u>
					<u>\$ 11,960,602</u>

a) Deposits:

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority.

Custodial credit risk of deposits is the risk that, in the event of the failure of a depository 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 depository insurance and are uncollateralized. As of December 31, 2007, \$3,392,600 of the Township's bank balances of \$4,255,204 was exposed to custodial credit risk because it was uninsured. Of the total bank balances, \$3,996,009 was maintained with one financial institution. 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.

b) Investments:

State statutes authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, within three highest rate classifications by at least two national rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; and e) mutual funds holding investments allowable by state statute.

Charter Township of Niles
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued):

b) Investments (continued):

State statutes authorize defined benefit plan trusts to invest not more than 65% in common stocks and no more than 5% in real estate holdings. Participant directed defined contribution plans are not subject to limitations as to the nature and extent of holdings.

Investments as of December 31, 2007, consist of the following (reported at fair value):

	<u>Percentage of fund</u>	
Police and Fire Pension Trust Fund:		
Pooled equity funds:		
1st Source Monogram Income Equity Fund	11.4	\$ 441,344
Fidelity Contra Fund #022	9.6	371,560
Other funds		<u>647,270</u>
Total pooled equity funds		<u>1,460,174</u>
Government treasuries and agencies:		
U.S. Treasury Note - 2.375%, due 5/15/17		259,199
U.S. Treasury Notes - 4.875%, due 6/30/09		246,226
Federal Home Loan Mortgage Corporation Bonds - 6.875%, due 9/15/10		216,563
Federal Home Loan Mortgage Corporation Bonds - 4.50%, due 7/15/13		205,000
Other U.S. Treasuries		301,374
Other U.S. Agencies		<u>829,018</u>
Total government treasuries and agencies		<u>2,057,380</u>
Corporate debt securities		<u>105,989</u>
Equities		<u>55,161</u>
Other investments		<u>188,101</u>
Total Police and Fire Pension Trust Fund		3,866,805
General Government Pension Trust Fund:		
Pooled separate accounts with insurance company		<u>1,005,419</u>
Total investments of pension trust funds		4,872,224
Michigan CLASS		2,204,239
U.S. government agencies		<u>107,803</u>
Total investments		<u>\$ 7,184,266</u>

Charter Township of Niles
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued):

Risks related to investments:

The Township has not established an investment policy that addresses interest rate risk, credit risk, concentration of credit risk, or custodial credit risk, as described below.

b) Investments (continued):

Interest rate risk:

Of the Township's holdings, the US treasuries, US agencies, and corporate debt securities holdings are subject to interest rate risk disclosure. As of December 31, 2007, \$1,177 is due within one year, \$1,555,252 is due within two to ten years and \$714,743 is due in more than ten years.

Credit risk:

The Township's investment holdings in U.S Agencies and corporate debt securities had the following credit risk ratings:

	<u>Fair value</u>	<u>Rating</u>	<u>Source</u>
U.S. agencies	\$ 1,358,384	AAA	S&P
Corporate debt securities	85,815	AA	S&P
Corporate debt securities	20,174	A	S&P

Custodial credit risk:

Of the Township's holdings, U.S. treasuries, U.S. agencies and corporate debt holdings are subject to custodial credit risk disclosure, and are uninsured, unregistered and held by the Township's brokerage firm. Investments in mutual funds are not subject to custodial credit risk.

Charter Township of Niles
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

Receivables as of year end for the government's individual major and non-major funds, in the aggregate, are as follows. All amounts shown are considered fully collectible.

	<u>Taxes</u>	<u>Accounts</u>	<u>Inter- govern- mental</u>	<u>Special assess- ments</u>	<u>Total</u>
Governmental funds:					
General	\$ 186,030	\$ 14,307	\$ 345,509	\$ -	\$ 545,846
Fire Operating	464,943	-	-	-	464,943
Fire Equipment	185,968	-	-	-	185,968
Other governmental funds	-	-	-	61,466	61,466
Total	<u>\$ 836,941</u>	<u>\$ 14,307</u>	<u>\$ 345,509</u>	<u>\$ 61,466</u>	<u>\$ 1,258,223</u>
Amounts due beyond one year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,219</u>	<u>\$ 21,219</u>
Proprietary funds:					
Sewer	\$ -	\$ 343,567	\$ -	\$ 403,247	\$ 746,814
Water	-	12,205	-	1,370,986	1,383,191
Total	<u>\$ -</u>	<u>\$ 355,772</u>	<u>\$ -</u>	<u>\$ 1,774,233</u>	<u>\$ 2,130,005</u>
Amounts due beyond one year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,523,050</u>	<u>\$ 1,523,050</u>

Charter Township of Niles
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity of the Township for the current year was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Assets not being depreciated - land	\$ 89,843	\$ 7,315	\$ -	\$ 97,158
Depreciable assets:				
Buildings	2,803,685	-	-	2,803,685
Vehicles	988,520	-	-	988,520
Equipment	312,350	165,079	-	477,429
Streets	63,276	24,000	-	87,276
Subtotal	<u>4,167,831</u>	<u>189,079</u>	<u>-</u>	<u>4,356,910</u>
Less accumulated depreciation for:				
Buildings	(946,137)	(43,894)	-	(990,031)
Vehicles	(231,946)	(77,894)	-	(309,840)
Equipment	(124,677)	(50,030)	-	(174,707)
Streets	(1,846)	(3,864)	-	(5,710)
Subtotal	<u>(1,304,606)</u>	<u>(175,682)</u>	<u>-</u>	<u>(1,480,288)</u>
Total capital assets being depreciated, net	<u>2,863,225</u>	<u>13,397</u>	<u>-</u>	<u>2,876,622</u>
Governmental activities capital assets, net	<u>\$ 2,953,068</u>	<u>\$ 20,712</u>	<u>\$ -</u>	<u>\$ 2,973,780</u>
Business-type activities:				
Sewer system	\$ 13,883,964	\$ 27,838	\$ -	\$ 13,911,802
Water system	4,287,095	206,158	-	4,493,253
Subtotal	<u>16,709,920</u>	<u>233,996</u>	<u>-</u>	<u>18,405,055</u>
Less accumulated depreciation for:				
Sewer system	(5,613,034)	(213,711)	-	(5,826,745)
Water system	(1,026,265)	(80,816)	-	(1,107,081)
Subtotal	<u>(6,639,299)</u>	<u>(294,527)</u>	<u>-</u>	<u>(6,933,826)</u>
Business-type activities capital assets, net	<u>\$ 10,070,621</u>	<u>\$ (60,531)</u>	<u>\$ -</u>	<u>\$ 11,471,229</u>

Charter Township of Niles
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to governmental activities programs of the Township as follows:

General government	\$ 25,150
Public safety	130,820
Public works	6,629
Recreation and culture	<u>13,083</u>
	<u>\$ 175,682</u>

NOTE 6 - PAYABLES:

Payables as of year end for the government's individual major and non-major funds, in the aggregate, are as follows.

	<u>Accounts</u>	<u>Health claims</u>	<u>Interest</u>	<u>Total</u>
Governmental funds:				
General	\$ 20,026	\$ -	\$ -	\$ 20,026
Fire Operating	1,899	-	-	1,899
Fire Equipment	2,735	-	-	2,735
Other governmental funds	<u>16,169</u>	<u>-</u>	<u>-</u>	<u>16,169</u>
Total	<u>\$ 40,829</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,829</u>
Business-type funds:				
Sewer	\$ 106,186	\$ -	\$ -	\$ 106,186
Water	<u>21,381</u>	<u>-</u>	<u>11,523</u>	<u>32,904</u>
Total	<u>\$ 127,567</u>	<u>\$ -</u>	<u>\$ 11,523</u>	<u>\$ 139,090</u>
Internal service fund	<u>\$ 340</u>	<u>\$ 1,529</u>	<u>\$ -</u>	<u>\$ 1,869</u>

NOTE 7- DEFERRED REVENUE:

Deferred revenue recorded in governmental funds as of December 31, 2007, represents both unearned and unavailable financial resources.

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes	\$ -	\$ 1,351,767	\$ 1,351,767
Special assessments	<u>30,298</u>	<u>32,778</u>	<u>63,076</u>
Total	<u>\$ 30,298</u>	<u>\$ 1,384,545</u>	<u>\$ 1,414,843</u>

Charter Township of Niles
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

The composition of interfund balances as of December 31, 2007, is as follows:

<u>Fund</u>	<u>Interfund receivable</u>	<u>Fund</u>	<u>Interfund payable</u>
General	\$ 1,420,785	Fire Equipment	\$ 1,364,696
		Other governmental funds	25,226
		Health Claims	<u>30,863</u>
			<u>1,420,785</u>
Fire Operating	25,617	Other governmental funds	1,533
		Health Claims	<u>24,084</u>
			<u>25,617</u>
Other governmental funds	59,504	Other governmental funds	<u>59,504</u>
Sewer	534,784	Water	520,852
		Health Claims	<u>13,932</u>
			<u>534,784</u>
Water	<u>578</u>	Health Claims	<u>578</u>
	<u>\$ 2,041,268</u>		<u>\$ 2,041,268</u>

All amounts due from other funds represent advances to other funds to finance operations or capital outlays. The amounts due from the Health Claims Fund represent the cumulative overbilling for allocated costs.

The Fire Equipment Fund is repaying an advance from the General Fund (currently \$1,364,696) as resources become available, with interest at 4.0%.

The Water Fund is repaying an advance from the Sewer Fund (currently, \$483,894) in annual installments of \$48,236, including interest at 5.0%, through September 2021.

Charter Township of Niles
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - LONG-TERM DEBT:

Long-term debt consists of 2007 \$1,795,000 Water Improvement Project Special Assessment bonds, (a limited tax obligation). The bonds were issued pursuant to the provisions of Public Act 188, as amended, to finance water system improvements, and are to be repaid primarily from special assessments levied upon benefited properties. The bonds are secured by the full faith and credit of the Township. Changes in long-term debt during the current year were as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>
Business-type activities:				
2006 Water Fund bonds	\$ 1,795,000	\$ -	\$ -	\$ 1,795,000
Less discount	<u>(16,296)</u>	<u>-</u>	<u>(2,064)</u>	<u>(14,232)</u>
	<u>\$ 1,778,704</u>	<u>\$ -</u>	<u>\$ (2,064)</u>	<u>\$ 1,780,768</u>

Future debt requirements at December 31, 2007, are as follows:

<u>Period</u>	<u>Principal</u>	<u>Interest</u>
2008	125,000	71,640
2009	125,000	66,640
2010	125,000	61,640
2011	125,000	56,640
2012	125,000	51,640
2013 - 2017	650,000	179,238
2018 - 2021	<u>520,000</u>	<u>199,356</u>
	<u>\$ 1,795,000</u>	<u>\$ 686,794</u>

NOTE 10 - RETIREMENT PLANS:

a) *Police and Fire Pension Plan:*

i) *Plan description:*

The Police and Fire Pension Plan (PFPP) is a single-employer defined benefit pension plan administered by the Township. The PFPP provides retirement, disability, and death benefits to eligible police and fire department members and their beneficiaries. Cost of living adjustments are provided to members and beneficiaries at the discretion of the Township. Separately issued financial statements of this plan are not prepared.

ii) *Funding policy:*

The contribution requirements of plan members and the Township are established and may be amended by Township resolution. Plan members are required to contribute 7.0% of their annual covered salary. For the Year ended December 31, 2007, member contributions totaled \$29,121. The Township is required to contribute at an actuarially determined rate (currently 16.23% of annual covered payroll). The Township's annual pension cost for the Year ended December 31, 2007, was \$67,833.

Charter Township of Niles
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - RETIREMENT PLANS (continued):

a) *Police and Fire Pension Plan (continued):*

iii) *Annual Pension Cost and Net Pension Obligation:*

The annual required contribution was determined as part of the April 1, 2005, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included a) 7.5% investment rate of return and b) projected payroll increases of 5.0%. The actuarial value of assets is based on current fair value. The unfunded actuarial accrued liability is being amortized as a level dollar amount over an open period of 15 years.

<i>Three year trend information</i>			
<i>Fiscal year ended</i>	<i>Annual pension cost (APC)</i>	<i>Percentage of APC contributed</i>	<i>Net pension obligation</i>
3/31/2006	\$ 102,671	100%	\$ -
12/31/2006	\$ 28,313	100%	\$ -
12/31/2007	\$ 67,833	100%	\$ -

b) *General Government Pension Plan:*

The General Government Pension Plan (GGPP) is a single-employer defined contribution pension plan administered by the Township. The GGPP provides retirement benefits to all full-time employees other than those covered by the PFPP. Plan provisions and contribution requirements are established and may be amended by the Township Board. Currently, the Township contributes 9.0% of covered salary. Plan members are required to contribute 5.0% of covered salary and may make voluntary contributions subject to IRS limitations. The employer and employee contributions totaled \$53,282 and \$57,417, respectively, for the Year ended December 31, 2007.

NOTE 11 - RISK MANAGEMENT:

The Township is exposed to various risks of loss to general liability, property and casualty, workers' compensation, and employee health and medical claims. The risks of loss arising from general liability up to \$5,000,000, building contents and workers' compensation, and casualty are managed through purchased commercial insurance. For all such risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

The Township has established a self-funded employee health and medical claims plan for all full-time employees. The plan provides health benefits up to certain annual limits. The claims liability of \$1,529 reported at December 31, 2007, is based on estimates of known claims and estimates of incurred but not reported claims.

Charter Township of Niles
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - RISK MANAGEMENT (continued):

Changes in the claims liability amount for the past two years were:

	<i>Year ended:</i>	
	<u>December 31,2007</u>	<u>December 31,2006</u>
Balance - beginning	\$ 7,488	\$ 97,700
Current year claims and changes in estimates	78,877	211,727
Claim payments	<u>(84,836)</u>	<u>(301,939)</u>
Balance - ending	<u>\$ 1,529</u>	<u>\$ 7,488</u>

NOTE 12 - BUILDING INSPECTION ACTIVITIES:

A summary of building inspection fees and direct costs is as follows:

Revenues	\$ 206,566
Expenses	<u>233,821</u>
Deficiency of revenues over expenses	<u>\$ (27,255)</u>

NOTE 13 - PROPERTY TAXES:

The 2007 taxable valuation of the Township totaled \$325,023,126 ad valorem taxes levied consisted of the following:

<u>Fund</u>	<u>Millage rate</u>	<u>Purpose</u>	<u>Taxes raised</u>
General	0.8732	General operations	\$ 285,856
Fire Operating	2.5000	Public safety operations	761,376
Fire Equipment	1.0000	Capital outlays	304,535

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 Niles
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 14 - PRIOR PERIOD ADJUSTMENTS:

Prior period adjustments have been recorded in 2007 that resulted in net asset restatements. Fund equity as of January 1, 2007 included in the financial statements represents restated balances as presented below. The following schedule identifies the nature and amount of the adjustments recorded to correct the Township'.

	<i>Net Assets</i>			
	<u>Governmental Activities</u>	<u>Enterprise Funds Sewer</u>	<u>Water</u>	
Beginning of year, as previously reported	\$ 5,471,876	\$ 12,108,937	\$ 3,391,021	\$ 15,499,958
Prior period adjustments:				
Overstatement of capital assets	(286,879)	-	-	-
Over (under) statement of accumulated depreciation	<u>134,309</u>	<u>(461,709)</u>	<u>21,726</u>	<u>(439,983)</u>
Beginning of year, as restated	<u>\$ 5,319,306</u>	<u>\$ 11,647,228</u>	<u>\$ 3,412,747</u>	<u>\$ 15,059,975</u>

REQUIRED SUPPLEMENTARY INFORMATION

Charter Township of Niles
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	\$ 303,530	\$ 303,530	\$ 296,746	\$ (6,784)
State grants	1,036,000	1,036,000	1,020,777	(15,223)
Fines and forfeitures	3,000	3,000	7,541	4,541
Licenses and permits	289,900	289,900	268,641	(21,259)
Charges for services	42,644	42,644	37,581	(5,063)
Interest and rentals	98,700	98,700	143,137	44,437
Other	14,000	14,000	1,864	(12,136)
Total revenues	<u>1,787,774</u>	<u>1,787,774</u>	<u>1,776,287</u>	<u>(11,487)</u>
EXPENDITURES				
Legislative	<u>103,630</u>	<u>103,630</u>	<u>52,727</u>	<u>50,903</u>
General government:				
Supervisor	96,828	96,828	88,405	8,423
Elections	7,500	7,500	3,850	3,650
Assessor	89,779	89,779	81,523	8,256
Clerk	81,014	81,014	83,851	(2,837)
Board of Review	996	996	1,115	(119)
Treasurer	107,224	107,224	111,686	(4,462)
Hall and grounds	102,681	102,681	71,539	31,142
Other	8,700	8,700	44,272	(35,572)
Total general government	<u>494,722</u>	<u>494,722</u>	<u>486,241</u>	<u>8,481</u>
Public safety:				
Police department	729,875	729,875	726,202	3,673
Building inspection	226,507	226,507	233,821	(7,314)
Ordinance enforcement	13,431	13,431	19,322	(5,891)
Total public safety	<u>969,813</u>	<u>969,813</u>	<u>979,345</u>	<u>(9,532)</u>
Public works:				
Highways and streets	62,045	62,045	39,638	22,407
Street lighting	2,600	2,600	2,588	12
Drains	150	150	-	150
Total public works	<u>64,795</u>	<u>64,795</u>	<u>42,226</u>	<u>22,569</u>

Charter Township of Niles
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)				
Recreation and culture	\$ 91,366	\$ 91,366	\$ 79,615	\$ 11,751
Community and economic development:				
Planning and zoning	58,663	58,663	36,448	22,215
Community development	<u>6,000</u>	<u>6,000</u>	<u>5,954</u>	<u>46</u>
Total community and economic development	<u>64,663</u>	<u>64,663</u>	<u>42,402</u>	<u>22,261</u>
Capital outlay	<u>4,800</u>	<u>4,800</u>	<u>6,462</u>	<u>(1,662)</u>
Total expenditures	<u>1,793,789</u>	<u>1,793,789</u>	<u>1,689,018</u>	<u>104,771</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(6,015)	(6,015)	87,269	93,284
FUND BALANCES - BEGINNING	<u>2,683,391</u>	<u>2,683,391</u>	<u>2,683,391</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 2,677,376</u>	<u>\$ 2,677,376</u>	<u>\$ 2,770,660</u>	<u>\$ 93,284</u>

Charter Township of Niles
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				
Taxes	\$ 731,900	\$ 731,900	\$ 744,511	\$ 12,611
Charges for services	60,000	60,000	47,668	(12,332)
Interest and rentals	25,500	25,500	31,006	5,506
Other	<u>10,680</u>	<u>10,680</u>	<u>4,215</u>	<u>(6,465)</u>
Total revenues	828,080	828,080	827,400	(680)
EXPENDITURES				
Public safety	<u>836,058</u>	<u>836,058</u>	<u>794,281</u>	<u>41,777</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(7,978)	(7,978)	33,119	41,097
FUND BALANCES - BEGINNING				
	<u>146,496</u>	<u>146,496</u>	<u>146,496</u>	<u>-</u>
FUND BALANCES - ENDING				
	<u>\$ 138,518</u>	<u>\$ 138,518</u>	<u>\$ 179,615</u>	<u>\$ 41,097</u>

Charter Township of Niles
BUDGETARY COMPARISON SCHEDULE - Fire Equipment Fund
Year ended December 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 297,000	\$ 297,000	\$ 297,767	\$ 767
Federal grant	-	-	135,970	135,970
Interest and rentals	5,500	5,500	16,707	11,207
	<u>302,500</u>	<u>302,500</u>	<u>450,444</u>	<u>147,944</u>
Total revenues				
EXPENDITURES				
General government	-	-	774	(774)
Capital outlay	99,750	99,750	179,355	(79,605)
Interest	-	-	55,111	(55,111)
	<u>99,750</u>	<u>99,750</u>	<u>235,240</u>	<u>(135,490)</u>
Total expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	202,750	202,750	215,204	12,454
FUND BALANCES - BEGINNING	<u>(1,376,467)</u>	<u>(1,376,467)</u>	<u>(1,376,467)</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ (1,173,717)</u>	<u>\$ (1,173,717)</u>	<u>\$ (1,161,263)</u>	<u>\$ 12,454</u>

Charter Township of Niles
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of funding progress for Police and Fire Pension Plan

<i>Actuarial valuation date April 1,</i>	<i>Actuarial value of assets (a)</i>	<i>Actuarial Accrued Liability (AAL) - Entry age (b)</i>	<i>Unfunded AAL (UAAL) (b-a)</i>	<i>Funded ratio (a/b)</i>	<i>Covered payroll (c)</i>	<i>UAAL as a percentage of covered payroll (b-a)/c)</i>
1992	\$ 1,913,611	\$ 2,148,405	\$ 234,794	89.1%	\$ 503,378	46.6%
1997	2,671,899	2,805,804	133,905	95.2%	526,516	25.4%
1999	3,320,380	3,086,346	(234,034)	107.6%	553,940	-42.2%
2001	3,468,445	3,485,349	16,904	99.5%	583,909	2.9%
2003	3,127,745	3,642,748	515,003	85.9%	424,622	121.3%
2005	3,556,256	4,020,181	463,925	88.5%	552,423	84.0%
2007	3,767,251	4,245,129	477,878	88.7%	419,120	114.0%

SUPPLEMENTARY INFORMATION

Charter Township of Niles
COMBINING BALANCE SHEET - other governmental funds
 December 31, 2007

	Special revenue funds			
	<u>Budget Stabilization</u>	<u>Revolving Improvement</u>	<u>Special Assessment</u>	<u>Drains</u>
ASSETS				
Cash	\$ 42,850	\$ 91,407	\$ 193,342	\$ 268
Investments	109,332	-	-	-
Receivables, net	-	-	61,466	-
Due from other funds	-	-	-	-
Total assets	<u>\$ 152,182</u>	<u>\$ 91,407</u>	<u>\$ 254,808</u>	<u>\$ 268</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payables	\$ -	\$ 7,315	\$ 8,854	\$ -
Due to other funds	25,226	-	61,037	-
Deferred revenue	-	-	63,076	-
Total liabilities	25,226	7,315	132,967	-
Fund balances - unreserved, undesignated	<u>126,956</u>	<u>84,092</u>	<u>121,841</u>	<u>268</u>
Total liabilities and fund balances	<u>\$ 152,182</u>	<u>\$ 91,407</u>	<u>\$ 254,808</u>	<u>\$ 268</u>

<u>Financing</u>	<u>Totals</u>	<u>Capital project fund</u>	<u>Total other governmental funds</u>
\$ 17,255	\$ 345,122	\$ 68,632	\$ 413,754
163,999	273,331	163,999	437,330
-	61,466	-	61,466
59,504	59,504	-	59,504
<u>\$ 240,758</u>	<u>\$ 739,423</u>	<u>\$ 232,631</u>	<u>\$ 972,054</u>
\$ -	\$ 16,169	\$ -	\$ 16,169
-	86,263	-	86,263
-	63,076	-	63,076
-	165,508	-	165,508
<u>240,758</u>	<u>573,915</u>	<u>232,631</u>	<u>806,546</u>
<u>\$ 240,758</u>	<u>\$ 739,423</u>	<u>\$ 232,631</u>	<u>\$ 972,054</u>

Charter Township of Niles

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

Year ended December 31, 2007

	<u>Special revenue funds</u>			
	<u>Budget Stabilization</u>	<u>Revolving Improvement</u>	<u>Special Assessment</u>	<u>Drains</u>
REVENUES				
Interest	\$ -	\$ 5,739	\$ 13,301	\$ 558
Other	-	-	21,689	2,500
Total revenues	<u>-</u>	<u>5,739</u>	<u>34,990</u>	<u>3,058</u>
EXPENDITURES				
General government	-	-	-	-
Public works	-	51,686	41,795	18,899
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>51,686</u>	<u>41,795</u>	<u>18,899</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(45,947)	(6,805)	(15,841)
FUND BALANCES - BEGINNING	<u>126,956</u>	<u>130,039</u>	<u>128,646</u>	<u>16,109</u>
FUND BALANCES - ENDING	<u>\$ 126,956</u>	<u>\$ 84,092</u>	<u>\$ 121,841</u>	<u>\$ 268</u>

<u>Financing</u>	<u>Totals</u>	<u>Capital project fund</u>	<u>Total other governmental funds</u>
\$ 8,922	\$ 28,520	\$ 11,499	\$ 40,019
-	24,189	-	24,189
<u>8,922</u>	<u>52,709</u>	<u>11,499</u>	<u>64,208</u>
-	-	1,532	1,532
-	112,380	-	112,380
-	-	<u>16,725</u>	<u>16,725</u>
-	<u>112,380</u>	<u>18,257</u>	<u>130,637</u>
8,922	(59,671)	(6,758)	(66,429)
<u>231,836</u>	<u>633,586</u>	<u>239,389</u>	<u>872,975</u>
<u>\$ 240,758</u>	<u>\$ 573,915</u>	<u>\$ 232,631</u>	<u>\$ 806,546</u>

Charter Township of Niles

COMBINING STATEMENT OF FIDUCIARY NET ASSETS - *pension trust funds*

December 31, 2007

	<u><i>General Government Pension Plan</i></u>	<u><i>Police and Fire Pension Plan</i></u>	<u><i>Totals</i></u>
ASSETS			
Cash	\$ 19,552	\$ 9,795	\$ 29,347
Investments	1,005,419	3,891,647	4,897,066
Receivables	<u>737</u>	<u>-</u>	<u>737</u>
Total assets	<u>1,025,708</u>	<u>3,901,442</u>	<u>4,927,150</u>
LIABILITIES			
Payables	<u>-</u>	<u>9,672</u>	<u>9,672</u>
NET ASSETS			
Held in trust for employees' pension benefits	<u>\$ 1,025,708</u>	<u>\$ 3,891,770</u>	<u>\$ 4,917,478</u>

Charter Township of Niles
COMBINING STATEMENT OF CHANGES IN
FIDUCIARY NET ASSETS - *pension trust funds*
Year ended December 31, 2007

	<u>General Government Pension Plan</u>	<u>Police and Fire Pension Plan</u>	<u>Totals</u>
ADDITIONS			
Contributions:			
Employer	\$ 53,282	\$ 67,833	\$ 121,115
Participants	57,417	29,121	86,538
Total contributions	110,699	96,954	207,653
Investment return	61,875	334,469	396,344
Total additions	172,574	431,423	603,997
DEDUCTIONS			
Benefits paid	15,000	310,754	325,754
NET INCREASE	157,574	120,669	278,243
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS			
Beginning	868,134	3,771,101	4,639,235
Ending	\$ 1,025,708	\$ 3,891,770	\$ 4,917,478

Charter Township of Niles

COMBINING STATEMENT OF FIDUCIARY NET ASSETS - agency funds

December 31, 2007

	<u>Trust and Agency</u>	<u>Tax Collection</u>	<u>Totals</u>
ASSETS			
Cash	\$ 75,000	\$ 831,340	\$ 906,340
LIABILITIES			
Due to governmental units	\$ 5,233	\$ 831,340	\$ 836,573
Due to others	<u>69,767</u>	<u>-</u>	<u>69,767</u>
Total liabilities	<u>\$ 75,000</u>	<u>\$ 831,340</u>	<u>\$ 906,340</u>

June 16, 2008

To the Board of Trustees
Charter Township of Niles

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 Niles for the year ended December 31, 2007, and have issued our report thereon dated June 16, 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 Niles 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, except as disclosed in Note 14 regarding correction in the method of accounting for certain capital assets. We noted no transactions entered into by Charter Township of Niles 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.



1958-2008

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. 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 Niles'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 Niles 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 Niles'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 Niles 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 Conradt P.C.