

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Charter Township of Kalamazoo	County Kalamazoo
Fiscal Year End December 31, 2007	Opinion Date May 2, 2008	Date Audit Report Submitted to State May 22, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

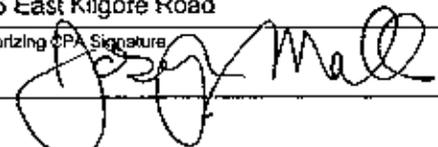
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations)

Check each applicable box below. (See instructions for further detail.)

1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. The local unit has adopted a budget for all required funds.
5. A public hearing on the budget was held in accordance with State statute.
6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. The local unit only holds deposits/investments that comply with statutory requirements.
9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. The local unit is free of repeated comments from previous years.
12. The audit opinion is UNQUALIFIED.
13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. The board or council approves all invoices prior to payment as required by charter or statute.
15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	<input checked="" type="checkbox"/>	
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	
Other (Describe)	<input checked="" type="checkbox"/>	SAS #114 report
Certified Public Accountant (Firm Name) Siegfried Crandall PC	Telephone Number (269)381-4970	
Street Address 246 East Kilgore Road	City Kalamazoo	State MI
Authorizing CPA Signature 	Printed Name Joseph M Walls	Zip 49002
		License Number 1101013696

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Charter Township of Kalamazoo
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis is intended as a narrative overview of the Charter Township of Kalamazoo, Michigan's operations over the fiscal year and its financial condition on December 31, 2007.

FINANCIAL HIGHLIGHTS

- The Township's total net assets increased \$543,531 (2 percent) as a result of this year's operations.
- Of the \$25,991,430 total net assets reported, \$5,695,593 is unrestricted, or available to be used at the Board's discretion.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$1,237,149, which represents 18 percent of the actual total General Fund expenditures for the fiscal year.

Overview of the financial statements

This discussion and analysis introduces the Township's basic financial statements that follow this section. These financial statements are presented to comply with Governmental Accounting Standards Board Statement 34 (GASB 34). The Township's basic financial statements are comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township government, reporting the Township's operations in more detail than the government-wide financial statements.
 - The governmental funds statements tell how general government services like public works and public safety were financed in the short term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business. The Township has 3 proprietary funds to account for its golf course, economic development loans, and building inspections department.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

A comparative analysis of the basic financial statements for 2007 and 2006 is also presented.

Charter Township of Kalamazoo
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Government-wide statements

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets and the Statement of Activities includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets - the difference between the Township's assets and liabilities - is one way to measure the Township's financial health, or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township you need to consider additional non-financial factors such as changes in the Township's property tax base and the condition of the Township's roads.

The government-wide financial statements of the Township are divided into two categories:

- *Governmental activities* - These activities include functions most commonly associated with government (e.g., general government, public safety, public works, etc.). Property taxes and intergovernmental revenues generally fund these services.
- *Business-type activities* - The Township charges fees to customers to help it cover the costs of operating the golf course and the building inspections department. The Township also charges interest on economic development loans made to businesses in the Township.

Fund financial statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by grant agreements.
- The Township Board establishes other funds to control and manage money for particular purposes (like street, water and sewer improvements) or to show that it is properly using certain taxes and other revenues (like the street lighting, recycling and public safety capital asset millages).

The Township has three kinds of funds:

- *Governmental funds*. Most of the Township's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flow in and out and, (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement that explains the relationship between them.

Charter Township of Kalamazoo
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

- *Proprietary funds.* Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-and short-term financial information.
- *Fiduciary funds.* These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the government. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The Township's fiduciary balances are reported in separate Statement of Fiduciary Net Assets - Fiduciary Funds. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

Net Assets

Total net assets at the end of the fiscal year were \$25.9 million, an increase of 2% from the prior year. However, \$19.6 million of this total is invested in capital assets, and \$693 thousand is restricted for public safety, public works, economic development, and capital outlay. Consequently, unrestricted net assets were \$5.6 million, 22% of the total.

Condensed financial information
Net assets (in thousands)

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
Current and other assets	\$ 12,000.2	\$ 10,987.8	\$ 102.8	\$ 266.6	\$ 12,102.8	\$ 11,254.4
Capital assets	20,087.7	19,578.8	261.8	249.6	20,349.5	19,828.4
Total assets	32,087.9	30,566.6	364.4	516.2	32,452.3	31,082.8
Current and other liabilities	5,495.0	5,456.6	1.9	7.4	5,496.9	5,464.0
Long-term debt	964.0	171.0	-	-	964.0	171.0
Total liabilities	6,459.0	5,627.6	1.9	7.4	6,460.9	5,635.0
Net assets						
Invested in capital assets	19,341.2	19,407.8	261.8	249.6	19,603.0	19,657.4
Restricted	679.8	739.0	13.0	165.2	692.8	904.2
Unrestricted	5,607.9	4,792.2	87.7	94.0	5,695.6	4,886.2
Total net assets	\$ 25,628.9	\$ 24,939.0	\$ 362.5	\$ 508.8	\$ 25,991.4	\$ 25,447.8

Charter Township of Kalamazoo
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Changes in net assets

The Township's total revenues are \$8.9 million. Approximately 46% of the Township's revenues come from property taxes, and 24% is received as state revenue sharing. About 20% of total revenues come from charges for services.

Condensed financial information
Changes in net assets (in thousands)

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
Program revenues:						
Charges for services	\$ 1,724.0	\$ 1,529.4	\$ 182.6	\$ 186.6	\$ 1,906.6	\$ 1,716.0
Operating grants	104.1	37.1	-	-	104.1	37.1
Capital grants	270.2	253.9	-	-	270.2	253.9
General revenues:						
Property taxes	4,027.0	3,792.5	-	-	4,027.0	3,792.5
State grants	2,151.5	2,177.3	-	-	2,151.5	2,177.3
Franchise fees	141.2	139.3	-	-	141.2	139.3
Investment income	444.4	363.9	4.1	7.2	448.5	371.1
Other	16.1	15.1	-	-	16.1	15.1
Total revenues	8,878.5	8,308.5	186.7	193.8	9,065.2	8,502.3
Expenses:						
Legislative	44.5	34.7	-	-	44.5	34.7
General government	1,486.3	1,452.9	-	-	1,486.3	1,452.9
Public safety	5,807.1	5,262.9	182.8	185.4	5,989.9	5,448.3
Public works	779.0	1,013.3	-	-	779.0	1,013.3
Community and economic development	54.9	77.9	-	-	54.9	77.9
Culture and recreation	11.8	9.5	13.7	16.0	25.5	25.5
Interest on debt	5.0	2.2	-	-	5.0	2
Total expenses	8,188.6	7,853.4	196.5	201.4	8,385.1	8,054.8
Return of funds to State of Michigan	-	-	(136.6)	-	(136.6)	-
Increase (decrease) in net assets	\$ 689.9	\$ 455.1	\$ (146.4)	\$ (7.6)	\$ 543.5	\$ 447.5

Governmental activities

Governmental activities increased the Township's net assets by \$690 thousand in 2007 compared with a \$455 thousand increase in 2006. Charges for services increased by \$67 thousand, due primarily to increases in public safety and public works assessments, offset by various decreases in other charges. The Township also received \$270 thousand in 2007 in capital grants, chiefly for fire capital assets. Total governmental expenses combined were about \$336 thousand higher in 2007, compared to 2006, primarily reflecting increases in public safety equipment depreciation during the year related to recent capital asset purchases, increases in fire personnel expenses, and other public safety operating costs.

**Charter Township of Kalamazoo
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

The cost of all governmental activities this year was \$8.2 million. After subtracting the direct charges to those who directly benefited from the programs (\$1.7 million), and other operating and capital grants (\$374 thousand), the "public benefit" portion covered by taxes, state revenue sharing and other general revenues was \$6.1 million in 2007, which compared closely to the \$6.0 million portion in 2006.

Business-type activities

Charges for services in the business-type activities for 2007 were \$182 thousand, 3% less than in 2006. This was primarily the result of a decrease in building permits issued in the current year. Expenses decreased \$12 thousand, primarily as a result of reduced golf course maintenance costs in 2007 compared to the prior year. An extraordinary item reflects the return of \$136 thousand funds of subsidies held in the Economic Loan Fund to the State of Michigan.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

At December 31, 2007, the Township's governmental funds reported a combined fund balance of \$6.1 million, approximately \$777 thousand more than last year.

Revenues in the General Fund for 2007 exceeded expenditures by \$409 thousand, compared to a \$106 thousand excess of expenditures over revenues in 2006. The changes primarily reflect increases in taxes, state revenues and investment income, combined with a slight decrease in expenditures.

The fund balance in the Sewer Improvement Funds increased this year by \$297 thousand. The fund's revenue, comprised of assessments and interest on investments, surpassed expenditures of \$33 thousand, primarily in construction costs. The fund balance in this fund at the end of 2007 was \$2.8 million.

The Fire Capital Fund balance decreased by \$101 thousand in 2007, reflecting fire equipment purchases in excess of current year assessments and debt issued. The fund balance is \$76 thousand at the end of 2007.

The combined fund balances for all other governmental funds increased by \$70 thousand, and totaled approximately \$2.1 million at the end of 2007.

General Fund budgetary highlights

The Township Board did not make any significant amendments to the General Fund budget in 2007.

Revenues were \$169 thousand more than budgeted for 2007, reflecting a conservative projection of interest rates and the receipt of unbudgeted biennial rental application fees. General Fund expenditures were \$437 thousand less than the amounts appropriated. Significant positive variances came in both general and police insurance categories, reflecting reductions in health insurance policy costs. These combined factors resulted in a net \$606 thousand positive budget variance, and an actual \$409 thousand increase in fund balance compared to a budgeted \$192 thousand decrease.

**Charter Township of Kalamazoo
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

Capital assets and debt administration

Capital assets

At December 31, 2007, the Township had invested \$19.6 million, net of related debt, in various capital assets, including its land, buildings, equipment, and wastewater system. This amount represents a net decrease of \$54 thousand.

This year's major capital asset additions included:

- \$811 thousand for 2 fire pumpers
- \$260 thousand for a basic fire and EMS training simulator
- \$168 thousand for 8 new police cruisers

Long-term debt

At the end of the fiscal year, the Township had 4 installment purchase notes outstanding in the amount of \$746,531, including the remaining balances of new debt issued to finance the purchase of the police cars and fire pumpers.

Economic condition and outlook

About \$1.2 million is available for appropriation in the General Fund budget. This fund balance represents 17% of the \$7.2 million in General Fund expenditures budgeted for 2008. The Township has not added major new programs or initiatives to the 2008 budget. The 2008 costs for General Fund activities are expected to increase by nominal amounts. The Township continues to review all budget line items for opportunities to reduce expenditures. The current 2008 budgeted revenues and transfers are set at levels to equal planned expenditures. The budget will be monitored during the year to identify any necessary amendments.

In 2008, the Township plans to use available revenues to provide essential services. The Township has also identified its streets infrastructure as a priority for maintenance and improvement in the upcoming years. As in the prior year, the ongoing costs of providing the services necessary for the protection and well-being of the citizens of the Township will need to be monitored, in order to maintain the financial condition and operational capabilities of the Township.

Contacting the Township's financial management

This financial report is designed to provide a general overview of the Township's finances to its citizens, customers, investors, and creditors, and to demonstrate the Township's accountability for the money it receives. Questions regarding any information provided in this report or request for additional financial information should be addressed to:

Charter Township of Kalamazoo
Supervisor's Office
1720 Riverview Drive
Kalamazoo, MI 49004

Phone: (269) 381-8080

INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Charter Township of Kalamazoo, 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 Kalamazoo, 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 Charter Township of Kalamazoo'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 Kalamazoo, 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 management's discussion and analysis and budgetary comparison information on pages i through vi and 26 through 31, respectively, 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.



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Board of Trustees
Charter Township of Kalamazoo, Michigan
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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 Kalamazoo, Michigan's, basic financial statements. The accompanying supplementary data, as listed in the contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Charter Township of Kalamazoo, 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.

May 2, 2008

BASIC FINANCIAL STATEMENTS

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

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 7,013,939	\$ 78,717	\$ 7,092,656
Investments	1,255,934	-	1,255,934
Prepaid costs	52,844	9,020	61,664
Receivables, net	<u>3,511,502</u>	<u>5,380</u>	<u>3,516,882</u>
Total current assets	<u>11,834,019</u>	<u>93,117</u>	<u>11,927,136</u>
Noncurrent assets:			
Capital assets not being depreciated	449,189	171,000	620,189
Capital assets, net of accumulated depreciation	19,638,570	90,775	19,729,345
Receivables, net	<u>166,134</u>	<u>9,514</u>	<u>175,648</u>
Total non-current assets	<u>20,253,893</u>	<u>271,289</u>	<u>20,525,182</u>
Total assets	<u>32,087,912</u>	<u>364,406</u>	<u>32,452,318</u>
LIABILITIES			
Current liabilities:			
Payables	186,647	1,930	188,577
Deferred revenue	5,308,280	-	5,308,280
Current portion of long-term obligations	<u>229,974</u>	<u>-</u>	<u>229,974</u>
Total current liabilities	<u>5,724,901</u>	<u>1,930</u>	<u>5,726,831</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	<u>734,057</u>	<u>-</u>	<u>734,057</u>
Total liabilities	<u>6,458,958</u>	<u>1,930</u>	<u>6,460,888</u>
NET ASSETS			
Invested in capital assets, net of related debt	19,341,228	261,775	19,603,003
Restricted for:			
Public safety	56,031	3,350	59,381
Public works	375,651	-	375,651
Community and economic development	-	9,614	9,614
Capital outlay	248,188	-	248,188
Unrestricted	<u>5,607,856</u>	<u>87,737</u>	<u>5,695,593</u>
Total net assets	<u>\$ 25,628,954</u>	<u>\$ 362,476</u>	<u>\$ 25,991,430</u>

See notes to financial statements

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

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Governmental activities:				
Legislative	\$ 44,493	\$ -	\$ -	\$ -
General government	1,486,269	410,561	-	-
Public safety	5,807,150	676,680	88,214	270,200
Public works	778,956	587,409	10,009	-
Community and economic development	54,909	49,300	-	-
Parks and recreation	11,758	-	5,920	-
Interest on long-term debt	5,088	-	-	-
Total governmental activities	8,188,623	1,723,950	104,143	270,200
Business-type activities:				
Golf course	13,752	19,620	-	-
Building inspections	182,767	162,988	-	-
Total business-type activities	196,519	182,608	-	-
Total	\$ 8,385,142	\$ 1,906,558	\$ 104,143	\$ 270,200

General revenues:

Taxes
State grants
Franchise fees
Investment income
Other

Total general revenues

Return of funds to State of Michigan

Change in net assets

Net assets - beginning

Net assets - ending

**Net (expenses) revenue and
change in net assets**

<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
\$ (44,493)		\$ (44,493)
(1,075,708)		(1,075,708)
(4,772,056)		(4,772,056)
(181,538)		(181,538)
(5,609)		(5,609)
(5,838)		(5,838)
<u>(5,088)</u>		<u>(5,088)</u>
 <u>(6,090,330)</u>		 <u>(6,090,330)</u>
	\$ 5,868	5,868
	<u>(19,779)</u>	<u>(19,779)</u>
	 <u>(13,911)</u>	 <u>(13,911)</u>
 <u>(6,090,330)</u>	 <u>(13,911)</u>	 <u>(6,104,241)</u>
4,026,984	-	4,026,984
2,151,467	-	2,151,467
141,248	-	141,248
444,367	4,126	448,493
<u>16,184</u>	<u>-</u>	<u>16,184</u>
 <u>6,780,250</u>	 <u>4,126</u>	 <u>6,784,376</u>
 <u>-</u>	 <u>(136,604)</u>	 <u>(136,604)</u>
689,920	(146,389)	543,531
<u>24,939,034</u>	<u>508,865</u>	<u>25,447,899</u>
 <u>\$ 25,628,954</u>	 <u>\$ 362,476</u>	 <u>\$ 25,991,430</u>

See notes to financial statements

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

	<u>General</u>	<u>Sewer Improvement</u>	<u>Fire Capital</u>
ASSETS			
Cash	\$ 2,791,550	\$ 2,674,994	\$ 298,773
Investments	-	167,992	-
Receivables	2,741,833	251,614	222,741
Prepaid expenses	52,644	-	-
Total assets	<u>\$ 5,586,027</u>	<u>\$ 3,094,600</u>	<u>\$ 521,514</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 60,076	\$ 17,447	\$ 9,845
Accrued liabilities	56,537	-	-
Deferred revenue	4,232,265	238,036	435,874
Total liabilities	<u>4,348,878</u>	<u>255,483</u>	<u>445,719</u>
Fund balances:			
Unreserved	1,237,149	2,839,117	75,795
Unreserved - reported in nonmajor special revenue funds	-	-	-
Total fund balances	<u>1,237,149</u>	<u>2,839,117</u>	<u>75,795</u>
Total liabilities and fund balances	<u>\$ 5,586,027</u>	<u>\$ 3,094,600</u>	<u>\$ 521,514</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.

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

Long-term liabilities, including compensated absence liabilities, are not due and payable in the current period and, therefore, are not reported in the funds.

Net assets of governmental activities

<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
\$ 1,248,622	\$ 7,013,939
1,087,942	1,255,934
461,448	3,677,636
-	52,644
\$ 2,798,012	\$ 12,000,153
\$ 42,742	\$ 130,110
-	56,537
770,303	5,676,478
813,045	5,863,125
-	4,152,061
1,984,967	1,984,967
1,984,967	6,137,028
\$ 2,798,012	\$ 12,000,153
	\$ 6,137,028
	20,087,759
	368,198
	(964,031)
	\$ 25,628,954

See notes to financial statements

Charter Township of Kalamazoo

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

Year ended December 31, 2007

	<u>General</u>	<u>Sewer Improvement</u>	<u>Fire Capital</u>
REVENUES			
Taxes	\$ 4,026,984	\$ -	\$ -
Federal grants	-	-	-
State grants	2,233,021	-	-
Fines and forfeitures	55,205	-	-
Licenses and permits	210,288	-	-
Charges for services	378,767	-	-
Interest and rentals	216,637	135,908	-
Other	48,753	194,060	406,296
	<u>7,169,655</u>	<u>329,968</u>	<u>406,296</u>
Total revenues			
EXPENDITURES			
Legislative	44,493	-	-
General government	1,424,383	-	-
Public safety	5,190,921	-	600
Public works	38,941	33,147	-
Community and economic development	54,909	-	-
Parks and recreation	4,873	-	-
Capital outlay	1,807	-	1,022,267
Debt service:			
Principal	-	-	292,969
Interest	-	-	2,853
	<u>6,760,327</u>	<u>33,147</u>	<u>1,318,689</u>
Total expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>409,328</u>	<u>296,821</u>	<u>(912,393)</u>
OTHER FINANCING SOURCES			
Proceeds from the issuance of debt	-	-	811,450
NET CHANGE IN FUND BALANCES	409,328	296,821	(100,943)
FUND BALANCES - BEGINNING	<u>827,821</u>	<u>2,542,296</u>	<u>176,738</u>
FUND BALANCES - ENDING	<u>\$ 1,237,149</u>	<u>\$ 2,839,117</u>	<u>\$ 75,795</u>

<i>Other nonmajor governmental funds</i>	<i>Totals</i>
\$ -	\$ 4,026,984
270,200	270,200
16,669	2,249,690
4,296	59,501
-	210,288
-	378,767
91,822	444,367
<u>670,891</u>	<u>1,320,000</u>
 <u>1,053,878</u>	 <u>8,959,797</u>
 -	44,493
-	1,424,383
290,307	5,481,828
447,803	519,891
-	54,909
-	4,873
198,680	1,222,754
 111,149	404,118
<u>2,235</u>	<u>5,088</u>
 <u>1,050,174</u>	 <u>9,162,337</u>
 <u>3,704</u>	 <u>(202,540)</u>
 <u>168,182</u>	 <u>979,632</u>
 171,886	777,092
<u>1,813,081</u>	<u>5,359,936</u>
 <u>\$ 1,984,967</u>	 <u>\$ 6,137,028</u>

See notes to financial statements

Charter Township of Kalamazoo
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	\$ 777,092
Amounts reported for <i>governmental activities</i> in the statement of activities (Page 6) are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays, net of disposals (\$1,388,021) exceeded depreciation (\$829,102) in the current period.	508,919
Because some revenues will not be collected for several months after the Township's year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues decreased by this amount this year.	(54,077)
Long-term debt:	
Proceeds from the issuance of debt	(979,632)
Principal repayments	404,118
Some items reported in the statement of activities (earned compensated absences) do not require the use of current financial resources and are not reported as expenditures in governmental funds. The payment of compensated absences is reported as an expenditure in governmental funds, but the payment reduces the long-term liability in the statement of net assets. In the current year, there was a net decrease in the compensated absence liability.	<u>33,500</u>
Change in net assets of <i>governmental activities</i>	<u>\$ 689,920</u>

See notes to financial statements

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

	<u>Total enterprise funds</u>
ASSETS	
Current assets:	
Cash and investments	\$ 78,717
Prepaid costs	9,020
Receivables, net	5,280
Notes receivable - current portion	<u>100</u>
Total current assets	93,117
Capital assets, net of accumulated depreciation	261,775
Other assets - notes receivable, net of current portion	<u>9,514</u>
TOTAL ASSETS	<u>364,406</u>
LIABILITIES	
Accounts payable	<u>1,930</u>
NET ASSETS	
Invested in capital assets	261,775
Restricted for:	
Public safety	3,350
Community and economic development	9,614
Unrestricted	<u>87,737</u>
TOTAL NET ASSETS	<u>\$ 362,476</u>

See notes to financial statements

Charter Township of Kalamazoo

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND NET ASSETS -
proprietary funds**

Year ended December 31, 2007

	<i>Total enterprise funds</i>
OPERATING REVENUES	
Licenses and permits	\$ 162,988
Rentals	<u>19,620</u>
Total operating revenues	<u>182,608</u>
OPERATING EXPENSES	
Personnel services	148,594
Contracted services	24,542
Other operating and maintenance costs	9,873
Depreciation	<u>13,510</u>
Total operating expenses	<u>196,519</u>
OPERATING LOSS	(13,911)
NON-OPERATING REVENUES	
Interest	<u>4,126</u>
NET LOSS BEFORE EXTRAORDINARY ITEM	(9,785)
EXTRAORDINARY ITEM - Return of funds to State of Michigan	<u>(136,604)</u>
CHANGE IN NET ASSETS	(146,389)
TOTAL NET ASSETS - BEGINNING	<u>508,865</u>
TOTAL NET ASSETS - ENDING	<u>\$ 362,476</u>

See notes to financial statements

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

	<u>Total enterprise funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 181,911
Payments to suppliers	(39,895)
Payments to employees	<u>(148,594)</u>
Net cash used in operating activities	<u>(6,578)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Return of funds to State of Michigan	<u>(136,604)</u>
CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES	
Acquisition of fixed assets	<u>(25,667)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	<u>4,126</u>
NET DECREASE IN CASH	(164,723)
CASH - BEGINNING	<u>243,440</u>
CASH - ENDING	<u>\$ 78,717</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (13,911)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	13,510
Changes in assets and liabilities:	
Increase in receivables, net	(697)
Increase in payables, net	<u>(5,480)</u>
Net cash used in operating activities	<u>\$ (6,578)</u>

See notes to financial statements

Charter Township of Kalamazoo
STATEMENT OF FIDUCIARY NET ASSETS - agency funds
December 31, 2007

ASSETS

Cash \$ 4,051,250

LIABILITIES

Due to other governmental units \$ 4,051,250

See notes to financial statements

Charter Township of Kalamazoo
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Charter Township of Kalamazoo, 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 more significant accounting policies.

a) Reporting entity:

The Township is governed by an elected seven-member board. The accompanying financial statements present the government entity for which the government is considered to be financially accountable.

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 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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. 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.

Charter Township of Kalamazoo
NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

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 Sewer Improvement Fund accounts for the construction or purchase of major sewer improvements.

The Fire Capital Fund accounts for the purchase of significant capital assets by the fire department.

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 the same limitations. The Township has elected not to follow subsequent private-sector standards.

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 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 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 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. Pooled investment income is proportionately allocated to all funds.

Charter Township of Kalamazoo
NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

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) 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 greater 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. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Buildings	40 - 60 years
Building improvements	15 - 30 years
Land improvements	15 years
Sewer lines	50 - 75 years
Vehicles	5 - 10 years
Equipment	5 - 15 years
Office equipment	3 - 10 years

v) 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. 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.

vi) 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.

Charter Township of Kalamazoo
NOTES TO FINANCIAL STATEMENTS (Continued)

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 functional level. Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of expenditures over appropriations in budgeted funds - During the year, the Township incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Function</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
Fire Capital	Debt service principal	\$ -	\$292,969	\$(292,969)

NOTE 3 - CASH AND INVESTMENTS:

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

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Fiduciary fund</u>	<u>Totals</u>
Financial statements:				
Cash and cash equivalents	\$ 7,013,939	\$ 78,717	\$ 4,051,250	\$ 11,143,906
Investments	<u>1,255,934</u>	<u>-</u>	<u>-</u>	<u>1,255,934</u>
Total	<u>\$ 8,269,873</u>	<u>\$ 78,717</u>	<u>\$ 4,051,250</u>	<u>\$ 12,399,840</u>
Notes to financial statements:				
Deposits				\$ 11,143,906
Investments				<u>1,255,934</u>
Total				<u>\$ 12,399,840</u>

Deposits with financial institutions:

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.

Charter Township of Kalamazoo
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued):

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, \$9,667,540 of the Township's bank balances of \$11,187,248 was exposed to custodial credit risk because it was uninsured. The Township maintains individual and pooled cash accounts for all of its funds.

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 and the Township's investment policy authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper rated within the two highest rate classifications, which mature not more than 270 days after the date of purchase; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; and e) mutual funds composed of otherwise legal investments.

The Township's investments are subject to several types of risk, which are discussed below:

Custodial credit risk. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Township will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. State statutes and the Township's investment policy do not contain requirements that would limit the exposure to custodial credit risk for investments. At year end, the following investment securities were uninsured and unregistered and held by the same broker-dealer (counterparty) that purchased the securities for the Township:

<u>Investment type</u>	<u>Carrying amount</u>
Commercial paper	\$ 938,963
Mutual funds	<u>316,971</u>
	<u>\$ 1,255,934</u>

Charter Township of Kalamazoo
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued):

Concentration of credit risk. State statutes and the Township's investment policy place no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities) that represent 5% or more of the Township's total investment are as follows:

<u>Issuer</u>	<u>Fair value</u>	<u>Percentage</u>	<u>Credit rating</u>
Commercial paper :			
GE Capital Corporation zero coupon commercial paper due January 17, 2008	\$ 261,484	21%	S&P A-1
GE Capital Corporation zero coupon commercial paper due March 18, 2008	326,904	26%	S&P A-1
GE Capital Corporation zero coupon commercial paper due April 23, 2008	<u>350,575</u>	28%	S&P A-1
Total commercial paper	<u>938,963</u>		
Mutual fund:			
Class MBIA	<u>316,971</u>	25%	
Total investments	<u>\$ 1,255,934</u>		

NOTE 4 - RECEIVABLES:

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

	<u>General</u>	<u>Sewer Improve-ment</u>	<u>Fire Capital</u>	<u>Non-major</u>	<u>Totals</u>
Taxes receivable	\$ 2,258,422	\$ -	\$ -	\$ -	\$ 2,258,422
Accounts	36,699	11,961	-	-	48,660
Special assessments	-	235,929	222,741	446,348	905,018
Interest	1,304	3,724	-	4,372	9,400
Intergovernmental	<u>445,408</u>	-	-	<u>10,728</u>	<u>456,136</u>
Net receivables	<u>\$ 2,741,833</u>	<u>\$ 251,614</u>	<u>\$ 222,741</u>	<u>\$ 461,448</u>	<u>\$ 3,677,636</u>

Special assessments in the amount of \$166,134 are not expected to be collected within one year.

Charter Township of Kalamazoo
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - DEFERRED REVENUE:

Governmental funds report deferred revenues in connection with assets 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>Unavailable</u>	<u>Unearned</u>
Property taxes (General Fund)	\$ -	\$4,232,265
Special assessments (Sewer Improvement Fund)	238,036	-
Special assessments (Fire Capital Fund)	-	435,874
Special assessments (nonmajor funds)	<u>130,162</u>	<u>640,141</u>
Total	<u>\$ 368,198</u>	<u>\$5,308,280</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 2006 tax levy of the Township consisted of the following:

	<u>2006</u>			
<u>Fund</u>	<u>Taxable</u> <u>Valuation</u>	<u>Millage</u> <u>rate</u>	<u>Purpose</u>	<u>Taxes</u> <u>raised</u>
General	\$ 446,011,797	8.9691	Operating	\$ 4,020,087

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

Charter Township of Kalamazoo
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - CAPITAL ASSETS:

Capital asset activity of the Township 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	\$ 449,189	\$ -	\$ -	\$ 449,189
Capital assets being depreciated:				
Buildings	2,237,122	18,045	-	2,255,167
Improvements other than buildings	82,080	-	-	82,080
Machinery and equipment	3,198,699	1,332,290	(234,301)	4,296,688
Infrastructure	22,189,926	-	-	22,189,926
Subtotal	<u>27,707,827</u>	<u>1,350,335</u>	<u>(234,301)</u>	<u>28,823,861</u>
Less accumulated depreciation for:				
Buildings	(1,101,176)	(48,550)	-	(1,149,726)
Improvements other than buildings	(19,185)	(5,414)	-	(24,599)
Machinery and equipment	(2,016,851)	(503,696)	221,987	(2,298,560)
Infrastructure	(5,440,964)	(271,442)	-	(5,712,406)
Subtotal	<u>(8,578,176)</u>	<u>(829,102)</u>	<u>221,987</u>	<u>(9,185,291)</u>
Total capital assets being depreciated, net	<u>19,129,651</u>	<u>521,233</u>	<u>(12,314)</u>	<u>19,638,570</u>
Total capital assets, net	<u>\$ 19,578,840</u>	<u>\$ 521,233</u>	<u>\$ (12,314)</u>	<u>\$ 20,087,759</u>

Charter Township of Kalamazoo
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - CAPITAL ASSETS (Continued):

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Capital assets not being depreciated - land	\$ 171,000	\$ -	\$ -	\$ 171,000
Capital assets being depreciated:				
Buildings	94,759	-	-	94,759
Improvements other than buildings	121,000	19,972	-	140,972
Machinery and equipment	90,020	5,695	-	95,715
Subtotal	<u>305,779</u>	<u>25,667</u>	<u>-</u>	<u>331,446</u>
Less accumulated depreciation for:				
Buildings	(94,758)	-	-	(94,758)
Improvements other than buildings	(74,577)	(7,167)	-	(81,744)
Machinery and equipment	(57,826)	(6,343)	-	(64,169)
Subtotal	<u>(227,161)</u>	<u>(13,510)</u>	<u>-</u>	<u>(240,671)</u>
Total capital assets being depreciated, net	<u>78,618</u>	<u>(13,510)</u>	<u>-</u>	<u>90,775</u>
Business-type activities capital assets, net	<u>\$ 249,618</u>	<u>\$ (13,510)</u>	<u>\$ -</u>	<u>\$ 261,775</u>

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

Governmental activities:	
General government	\$ 66,386
Public safety	481,903
Public works	273,928
Recreation and culture	<u>6,885</u>
Total governmental activities	<u>\$829,102</u>
Business-type activities - golf course	<u>\$ 13,510</u>

Charter Township of Kalamazoo
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - PAYABLES:

Payables in the accompanying financial statements are as follows:

	<u>Accounts</u>	<u>Inter- govern- mental</u>	<u>Total</u>
Governmental funds:			
General Fund	\$ 60,076	\$ -	\$ 60,076
Sewer Improvement Fund	17,447	-	17,447
Fire Capital Fund	9,845	-	9,845
Nonmajor governmental funds	<u>42,742</u>	<u>-</u>	<u>42,742</u>
Total governmental funds	<u>\$ 130,110</u>	<u>\$ -</u>	<u>\$ 130,110</u>
Accrued compensated absences			<u>56,537</u>
Total governmental activities			<u>\$ 186,647</u>
Business-type activities:			
Building Inspections Fund	<u>\$ -</u>	<u>\$ 1,930</u>	<u>\$ 1,930</u>

NOTE 9 - 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, workers' compensation, employee medical, and casualty are managed through purchased commercial insurance. For all 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.

NOTE 10 - RETIREMENT PLAN:

The Township contributes to three defined contribution pension plans for its employees. The two plans for non-union employees are administered by an insurance company. The plan for union employees is administered by an investment company. The plan for firefighters requires matching employee contributions. The other plans are non-contributory. All plans are funded on a group annuity basis.

Contributions for union employees are fully vested upon participation in the plan. The Township's contributions for participating non-union employees (and allocated interest) are fully vested after 48 months of service. Contributions and interest forfeited by non-vested employees who leave employment are used to reduce the Township's current period contribution requirement.

The Township made the required contributions of \$536,093 for the year ended December 31, 2007. The Township is not a trustee of these plans, nor is the Township responsible for investment management of plan assets.

Charter Township of Kalamazoo
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS:

In addition to the pension benefits described in Note 10, the Township provides post-retirement healthcare benefits for employees and their dependents, if the employees meet specific service and age criteria:

- i)* Police department employees who retire from the department on or after attaining age 51 with at least 25 years of service, or who retire from the department on or after attaining age 57 with at least 15 years of service.
- ii)* Elected officials who have served for eight years.
- iii)* All other Township employees who have ten years of continuous full-time service and who have reached the age of 55, or permanent disability.

Currently, 18 employees meet those eligibility requirements. In 2007, the Township paid health insurance premiums totaling \$67,783 for seven retired employees.

NOTE 12 - LONG-TERM LIABILITIES:

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

	<u>Beginning balance</u>	<u>Increases</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:					
\$195,488 2006 Installment purchase agreement note payable in annual installments of \$26,666, including interest at 3.34%; final payment due January 2013	\$ 171,017	\$ -	\$ (24,431)	\$ 146,586	\$ 24,431
\$168,182 2007 Installment purchase agreement note payable in annual installments of \$86,718, including interest at 3.22%; final payment due May 2008	-	168,182	(86,718)	81,464	81,464
\$549,250 2007 Installment purchase agreement note payable in annual installments of \$91,221, including interest at 4.72%; final payment due April 2011	-	549,250	(223,669)	325,581	76,854
\$262,200 2007 Installment purchase agreement note payable in annual installments of \$54,399, including interest at 12.8%; final payment due August 2011	-	262,200	(69,300)	192,900	48,225
Compensated absences	<u>251,000</u>	<u>324,000</u>	<u>(357,500)</u>	<u>217,500</u>	<u>-</u>
Total governmental activities	<u>\$ 422,017</u>	<u>\$ 1,303,632</u>	<u>\$ (761,618)</u>	<u>\$ 964,031</u>	<u>\$ 229,974</u>

Charter Township of Kalamazoo
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 - LONG-TERM LIABILITIES (Continued):

At December 31, 2007, debt service requirements, excluding compensated absences, were as follows:

<u>Year ended</u> <u>December 31:</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 229,974	\$ 29,030
2009	152,090	20,197
2010	155,839	16,447
2011	159,766	12,522
2012	24,431	2,235
2013	<u>24,431</u>	<u>2,236</u>
Totals	<u>\$ 746,531</u>	<u>\$ 82,667</u>

All debt is secured by the full faith and credit of the Township.

NOTE 13 - COMMITMENTS AND CONTINGENCIES:

Contingent liabilities:

The Township is contingently liable to its employees for approximately \$220,000 in accumulated non-vested sick pay benefits.

Litigation:

The Township is the defendant in various lawsuits arising principally in the normal course of operations. In the opinion of management, the outcome of these lawsuits will not have a materially adverse effect on the accompanying basic financial statements and accordingly, no provision for losses has been recorded.

REQUIRED SUPPLEMENTARY INFORMATION

Charter Township of Kalamazoo
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	\$ 4,021,367	\$ 4,021,367	\$ 4,026,984	\$ 5,617
State grants	2,266,000	2,266,000	2,233,021	(32,979)
Fines and forfeitures:				
District court fees	51,500	51,500	49,545	(1,955)
Violation bureau fees	2,575	2,575	2,130	(445)
False alarm fees	5,000	5,000	3,530	(1,470)
Total fines and forfeitures	<u>59,075</u>	<u>59,075</u>	<u>55,205</u>	<u>(3,870)</u>
Licenses and permits:				
Liquor license refunds	8,000	8,000	7,735	(265)
Trailer fees	4,120	4,120	3,940	(180)
Cable TV franchise fees	140,000	140,000	141,248	1,248
Rental application fees	4,000	4,000	49,300	45,300
Other licenses	9,300	9,300	8,065	(1,235)
Total licenses and permits	<u>165,420</u>	<u>165,420</u>	<u>210,288</u>	<u>44,868</u>
Charges for services:				
Administrative fees	286,418	286,418	253,026	(33,392)
Utility surcharges	100,000	100,000	100,550	550
Cemetery charges and fees	8,000	8,000	19,425	11,425
Other charges	1,030	1,030	5,766	4,736
Total charges for services	<u>395,448</u>	<u>395,448</u>	<u>378,767</u>	<u>(16,681)</u>
Interest and rentals:				
Interest earned	65,000	65,000	178,883	113,883
Lease payments	14,832	14,832	27,879	13,047
Civic room rent	10,120	10,120	9,875	(245)
Total interest and rentals	<u>89,952</u>	<u>89,952</u>	<u>216,637</u>	<u>126,685</u>
Other:				
Sale of fixed assets	3,000	3,000	28,498	25,498
Miscellaneous	206	206	20,255	20,049
Total other	<u>3,206</u>	<u>3,206</u>	<u>48,753</u>	<u>45,547</u>
Total revenues	<u>7,000,468</u>	<u>7,000,468</u>	<u>7,169,655</u>	<u>169,187</u>

Charter Township of Kalamazoo
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				
Legislative:				
Trustees' fees	\$ 19,000	\$ 19,000	\$ 21,253	\$ (2,253)
Payroll taxes	1,454	1,454	1,163	291
Employee benefits	3,825	3,825	4,075	(250)
Travel and other expenses	<u>10,300</u>	<u>10,300</u>	<u>18,002</u>	<u>(7,702)</u>
Total legislative	<u>34,579</u>	<u>34,579</u>	<u>44,493</u>	<u>(9,914)</u>
General government:				
Supervisor:				
Salary	75,134	75,134	75,130	4
Payroll taxes	5,748	5,748	5,747	1
Employee benefits	<u>15,523</u>	<u>15,523</u>	<u>10,552</u>	<u>4,971</u>
Total supervisor	<u>96,405</u>	<u>96,405</u>	<u>91,429</u>	<u>4,976</u>
Elections:				
Election worker fees	61,131	61,131	51,203	9,928
Payroll taxes	3,602	3,602	3,257	345
Employee benefits	5,235	5,235	5,543	(308)
Supplies	4,529	4,529	7,017	(2,488)
Training and travel	<u>1,300</u>	<u>1,300</u>	<u>884</u>	<u>416</u>
Total elections	<u>75,797</u>	<u>75,797</u>	<u>67,904</u>	<u>7,893</u>
Assessor:				
Salaries and wages	146,731	146,731	146,212	519
Board fees	2,600	2,600	1,378	1,222
Payroll taxes	11,245	11,245	10,653	592
Employee benefits	17,607	17,607	17,545	62
Office supplies	648	648	60	588
Dues and subscriptions	846	846	1,341	(495)
Operating supplies	1,618	1,618	1,538	80
Travel and conferences	863	863	436	427
Notices	1,000	455	515	(60)
Legal services	6,180	6,180	405	5,775
Repairs and maintenance	2,589	2,589	3,296	(707)
Training	<u>317</u>	<u>317</u>	<u>-</u>	<u>317</u>
Total assessor	<u>192,244</u>	<u>191,699</u>	<u>183,379</u>	<u>8,320</u>

Charter Township of Kalamazoo
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)				
General government (continued):				
Clerk:				
Salary	\$ 75,134	\$ 75,134	\$ 75,130	\$ 4
Payroll taxes	5,746	5,746	5,558	188
Employee benefits	<u>21,945</u>	<u>21,945</u>	<u>21,131</u>	<u>814</u>
Total clerk	<u>102,825</u>	<u>102,825</u>	<u>101,819</u>	<u>1,006</u>
General services administration:				
Salaries and wages	112,600	112,600	112,554	46
Payroll taxes	8,048	8,048	8,366	(318)
Employee benefits	140,775	140,775	125,710	15,065
Accounting and auditing	37,870	37,870	33,657	4,213
Legal services	75,116	75,116	56,732	18,384
Engineering services	20,600	20,600	17,702	2,898
Insurance	171,392	171,392	86,851	84,541
Supplies	15,251	15,251	12,877	2,374
Postage	24,877	24,877	21,934	2,943
Computer services	10,300	10,300	10,911	(611)
Purchased services	15,068	15,068	23,238	(8,170)
Telephone	16,071	16,071	14,462	1,609
Dues and subscriptions	12,058	12,058	9,785	2,273
Notices and publications	8,704	8,704	5,075	3,629
Travel and conferences	1,260	1,260	1,469	(209)
Schools and training	709	709	200	509
Utilities	47,101	47,101	41,610	5,491
Unclassified	<u>1,339</u>	<u>1,339</u>	<u>3</u>	<u>1,336</u>
Total general services administration	<u>719,139</u>	<u>719,139</u>	<u>583,136</u>	<u>136,003</u>
Treasurer:				
Salary	75,134	75,134	75,130	4
Payroll taxes	5,746	5,746	5,707	39
Employee benefits	<u>17,908</u>	<u>17,908</u>	<u>15,324</u>	<u>2,584</u>
Total treasurer	<u>98,788</u>	<u>98,788</u>	<u>96,161</u>	<u>2,627</u>

Charter Township of Kalamazoo

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)				
General government (continued):				
Data processing:				
Salaries and wages	\$ 38,386	\$ 38,386	\$ 38,459	\$ (73)
Payroll taxes	2,937	2,937	2,238	699
Employee benefits	4,523	4,523	4,615	(92)
Supplies and services	7,972	7,972	-	7,972
Total data processing	<u>53,818</u>	<u>53,818</u>	<u>45,312</u>	<u>8,506</u>
Building and grounds:				
Salaries and wages	116,862	116,862	96,762	20,100
Payroll taxes	8,940	8,940	7,849	1,091
Employee benefits	51,301	51,301	49,853	1,448
Operating supplies	6,930	6,930	7,300	(370)
Gas and oil	2,696	2,696	3,159	(463)
Purchased services	10,228	10,228	3,924	6,304
Insurance	-	-	5,193	(5,193)
Repairs and maintenance	31,850	31,850	42,751	(10,901)
Total building and grounds	<u>228,807</u>	<u>228,807</u>	<u>216,791</u>	<u>17,209</u>
Cemetery:				
Salaries and wages	-	-	13,083	(13,083)
Payroll taxes	-	-	893	(893)
Employee benefits	-	-	1,570	(1,570)
Operating supplies	2,310	2,310	2,900	(590)
Purchased services	2,060	2,060	497	1,563
Utilities	824	824	3,114	(2,290)
Repairs and maintenance	4,635	4,635	16,395	(11,760)
Total cemetery	<u>9,829</u>	<u>9,829</u>	<u>38,452</u>	<u>(28,623)</u>
Total general government	<u>1,577,652</u>	<u>1,577,107</u>	<u>1,424,383</u>	<u>157,917</u>

Charter Township of Kalamazoo

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)				
Public safety:				
Police protection:				
Salaries and wages	\$ 2,439,135	\$ 2,439,135	\$ 2,265,344	\$ 173,791
Payroll taxes	194,026	194,026	184,319	9,707
Employee insurance	568,186	568,186	466,733	101,453
Pension	379,450	379,450	370,779	8,671
Office supplies	10,000	10,000	4,062	5,938
Publications	1,190	1,190	1,224	(34)
Operating supplies	21,281	21,281	28,854	(7,573)
Lien billing	1,607	1,607	1,330	277
Equipment allowance	27,889	27,889	20,992	6,897
Gas and oil	50,000	50,000	49,221	779
Purchased services	65,000	65,000	63,523	1,477
Crime prevention	539	539	-	539
Investigative operations	6,000	6,000	1,369	4,631
Computer services	5,392	5,392	4,795	597
Telephone	24,825	24,825	18,460	6,365
Travel and conferences	2,115	2,115	3,125	(1,010)
General insurance	95,000	95,000	103,850	(8,850)
Vision and physicals	10,575	10,575	16,020	(5,445)
Workers' compensation	129,462	129,462	154,081	(24,619)
Repairs and maintenance	42,476	42,476	36,187	6,289
Training	10,784	10,784	10,417	367
Legal services	<u>107,844</u>	<u>107,844</u>	<u>81,421</u>	<u>26,423</u>
Total police protection	<u>4,192,776</u>	<u>4,192,776</u>	<u>3,886,106</u>	<u>306,670</u>
Fire protection:				
Salaries and wages:				
Regular	610,987	610,987	604,563	6,424
Paid on-call	148,684	148,684	182,596	(33,912)
Payroll taxes	27,647	27,647	33,595	(5,948)
Employee insurance	83,199	83,199	87,987	(4,788)
Pension	43,807	43,807	72,221	(28,414)
Office supplies	1,500	1,500	2,774	(1,274)
Publications	2,400	2,400	2,654	(254)
Operating supplies	18,000	18,000	16,594	1,406
Equipment allowance	15,000	15,000	9,482	5,518
Gas and oil	18,000	18,000	17,580	420

Charter Township of Kalamazoo
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)				
Public safety (continued):				
Fire protection (continued):				
Purchased services	\$ 26,709	\$ 26,709	\$ 27,139	\$ (430)
Telephone	9,000	9,000	2,717	6,283
Travel and conferences	3,000	3,000	3,132	(132)
Vision and physicals	6,000	6,000	7,428	(1,428)
General insurance	65,000	65,000	69,233	(4,233)
Workers' compensation	25,000	25,000	41,541	(16,541)
Utilities	49,408	49,408	40,214	9,194
Repairs and maintenance	57,500	57,500	75,773	(18,273)
Schools and training	7,000	7,000	9,510	(2,510)
Total fire protection	<u>1,217,841</u>	<u>1,217,841</u>	<u>1,306,733</u>	<u>(88,892)</u>
Emergency preparedness:				
Disaster relief	2,060	2,060	-	2,060
911 emergency service	-	-	(1,918)	1,918
Total emergency preparedness	<u>2,060</u>	<u>2,060</u>	<u>(1,918)</u>	<u>3,978</u>
Total public safety	<u>5,412,677</u>	<u>5,412,677</u>	<u>5,190,921</u>	<u>221,756</u>
Public works:				
Street maintenance	52,865	52,865	38,941	13,924
Community and economic development - planning and zoning:				
Board fees	9,270	9,270	10,420	(1,150)
Payroll taxes	527	527	795	(268)
Employee benefits	-	-	171	(171)
Office supplies	149	149	-	149
Engineering services	3,172	3,172	-	3,172
Planning consultant	20,600	20,600	16,983	3,617
Legal services	22,000	22,000	21,822	178

Charter Township of Kalamazoo
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)				
Community and economic development - planning and zoning (continued):				
Travel and conferences	\$ 350	\$ 350	\$ -	\$ 350
Notices and publications	<u>3,235</u>	<u>3,235</u>	<u>4,718</u>	<u>(1,483)</u>
Total community and economic development - planning and zoning	<u>59,303</u>	<u>59,303</u>	<u>54,909</u>	<u>4,394</u>
Parks and recreation:				
Operating supplies	1,333	1,333	-	1,333
Utilities	1,817	1,817	1,532	285
Repairs and maintenance	5,392	5,392	2,741	2,651
Other	<u>613</u>	<u>613</u>	<u>600</u>	<u>13</u>
Total parks and recreation	<u>9,155</u>	<u>9,155</u>	<u>4,873</u>	<u>4,282</u>
Capital outlay:				
General government	<u>46,592</u>	<u>46,592</u>	<u>1,807</u>	<u>44,785</u>
Total expenditures	<u>7,192,823</u>	<u>7,192,278</u>	<u>6,760,327</u>	<u>437,144</u>
NET CHANGE IN FUND BALANCES	(192,355)	(191,810)	409,328	606,331
FUND BALANCES - BEGINNING	<u>827,821</u>	<u>827,821</u>	<u>827,821</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 635,466</u>	<u>\$ 636,011</u>	<u>\$ 1,237,149</u>	<u>\$ 606,331</u>

Charter Township of Kalamazoo
BUDGETARY COMPARISON SCHEDULE - Sewer Improvement Fund
Year ended December 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Interest	\$ 41,200	\$ 41,200	\$ 135,908	\$ 94,708
Special assessments	61,800	61,800	179,196	117,396
Other	-	-	14,864	14,864
Total revenues	<u>103,000</u>	<u>103,000</u>	<u>329,968</u>	<u>226,968</u>
EXPENDITURES				
Public works:				
Engineering	20,600	20,600	11,861	8,739
Legal and administrative costs	2,060	2,060	-	2,060
Maintenance	1,030	1,030	2,496	(1,466)
Construction	<u>17,510</u>	<u>17,510</u>	<u>18,790</u>	<u>(1,280)</u>
Total public works	<u>41,200</u>	<u>41,200</u>	<u>33,147</u>	<u>8,053</u>
EXCESS OF REVENUES OVER EXPENDITURES	61,800	61,800	296,821	235,021
FUND BALANCES - BEGINNING	<u>2,542,296</u>	<u>2,542,296</u>	<u>2,542,296</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 2,604,096</u>	<u>\$ 2,604,096</u>	<u>\$ 2,839,117</u>	<u>\$ 235,021</u>

Charter Township of Kalamazoo

BUDGETARY COMPARISON SCHEDULE - Fire Capital Fund

Year ended December 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Special assessments	\$ -	\$ -	\$ 406,296	\$ 406,296
Total revenues	<u>-</u>	<u>-</u>	<u>406,296</u>	<u>406,296</u>
EXPENDITURES				
Public safety	-	-	600	(600)
Capital outlay	1,068,950	1,068,950	1,022,267	46,683
Debt service:				
Principal	-	-	292,969	(292,969)
Interest	<u>-</u>	<u>-</u>	<u>2,853</u>	<u>(2,853)</u>
Total expenditures	<u>1,068,950</u>	<u>1,068,950</u>	<u>1,318,689</u>	<u>(249,739)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,068,950)</u>	<u>(1,068,950)</u>	<u>(912,393)</u>	<u>156,557</u>
OTHER FINANCING SOURCES				
Proceeds from the issuance of debt	<u>811,450</u>	<u>811,450</u>	<u>811,450</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(257,500)	(257,500)	(100,943)	156,557
FUND BALANCES - BEGINNING	<u>176,738</u>	<u>176,738</u>	<u>176,738</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ (80,762)</u>	<u>\$ (80,762)</u>	<u>\$ 75,795</u>	<u>\$ 156,557</u>

SUPPLEMENTARY INFORMATION

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

	<i>Special revenue funds</i>				
	<i>Police Training</i>	<i>Drug Enforcement</i>	<i>Southwest Enforcement Team</i>	<i>Public Safety Grants</i>	<i>Revolving Improvement</i>
ASSETS					
Cash	\$ 12,949	\$ 32,354	\$ -	\$ -	\$ -
Investments	-	-	-	-	1,087,942
Receivables	<u>10,728</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,426</u>
TOTAL ASSETS	<u>\$ 23,677</u>	<u>\$ 32,354</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,089,368</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	-	-	-	-	-
Fund balances:					
Unreserved, undesignated	<u>23,677</u>	<u>32,354</u>	<u>-</u>	<u>-</u>	<u>1,089,368</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 23,677</u>	<u>\$ 32,354</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,089,368</u>

<i>Special revenue funds</i>						<i>Total nonmajor governmental funds</i>
<i>Street Lighting</i>	<i>Recycling</i>	<i>Street</i>	<i>Water</i>	<i>Parks</i>	<i>Police Capital</i>	
\$ 325,312	\$ 316,944	\$ 47,793	\$ 214,307	\$ 20,013	\$ 278,950	\$ 1,248,622
-	-	-	-	-	-	1,087,942
<u>100,306</u>	<u>98,051</u>	<u>116,043</u>	<u>23,530</u>	<u>-</u>	<u>111,364</u>	<u>461,448</u>
<u>\$ 425,618</u>	<u>\$ 414,995</u>	<u>\$ 163,836</u>	<u>\$ 237,837</u>	<u>\$ 20,013</u>	<u>\$ 390,314</u>	<u>\$ 2,798,012</u>
\$ 16,772	\$ 25,970	\$ -	\$ -	\$ -	\$ -	\$ 42,742
<u>187,260</u>	<u>234,960</u>	<u>109,246</u>	<u>20,916</u>	<u>-</u>	<u>217,921</u>	<u>770,303</u>
204,032	260,930	109,246	20,916	-	217,921	813,045
<u>221,586</u>	<u>154,065</u>	<u>54,590</u>	<u>216,921</u>	<u>20,013</u>	<u>172,393</u>	<u>1,984,987</u>
<u>\$ 425,618</u>	<u>\$ 414,995</u>	<u>\$ 163,836</u>	<u>\$ 237,837</u>	<u>\$ 20,013</u>	<u>\$ 390,314</u>	<u>\$ 2,798,012</u>

Charter Township of Kalamazoo

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

Year ended December 31, 2007

	<i>Special revenue funds</i>				
	<i>Police Training</i>	<i>Drug Enforcement</i>	<i>Southwest Enforcement Team</i>	<i>Public Safety Grants</i>	<i>Revolving Improvement</i>
REVENUES					
Federal grants	\$ -	\$ -	\$ -	\$ 270,200	\$ -
State grants	6,660	-	-	-	-
Fines and forfeitures	-	4,296	-	-	-
Interest	-	-	-	-	52,134
Other	-	-	-	-	-
Total revenues	<u>6,660</u>	<u>4,296</u>	<u>-</u>	<u>270,200</u>	<u>52,134</u>
EXPENDITURES					
Public safety	12,360	466	-	277,481	-
Public works	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>12,360</u>	<u>466</u>	<u>-</u>	<u>277,481</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,700)	3,830	-	(7,281)	52,134
OTHER FINANCING SOURCES					
Proceeds from the issuance of debt	-	-	-	-	-
NET CHANGE IN FUND BALANCES	(5,700)	3,830	-	(7,281)	52,134
FUND BALANCES - BEGINNING	<u>29,377</u>	<u>28,524</u>	<u>-</u>	<u>7,281</u>	<u>1,037,234</u>
FUND BALANCES - ENDING	<u>\$ 23,677</u>	<u>\$ 32,354</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,089,368</u>

<i>Special revenue funds</i>						<i>Total nonmajor governmental funds</i>
<i>Street Lighting</i>	<i>Recycling</i>	<i>Street</i>	<i>Water</i>	<i>Parks</i>	<i>Police Capital</i>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 270,200
-	-	10,009	-	-	-	16,669
-	-	-	-	-	-	4,296
15,332	14,083	-	10,273	-	-	91,822
<u>177,686</u>	<u>232,386</u>	<u>34,529</u>	<u>17,240</u>	<u>5,920</u>	<u>203,130</u>	<u>670,891</u>
<u>193,018</u>	<u>246,469</u>	<u>44,538</u>	<u>27,513</u>	<u>5,920</u>	<u>203,130</u>	<u>1,053,878</u>
-	-	-	-	-	-	290,307
196,151	251,652	-	-	-	-	447,803
-	-	-	-	-	198,680	198,680
-	-	-	-	-	111,149	111,149
-	-	-	-	-	2,235	2,235
<u>196,151</u>	<u>251,652</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>312,064</u>	<u>1,050,174</u>
(3,133)	(5,183)	44,538	27,513	5,920	(108,934)	3,704
-	-	-	-	-	168,182	168,182
(3,133)	(5,183)	44,538	27,513	5,920	59,248	171,886
<u>224,719</u>	<u>159,248</u>	<u>10,052</u>	<u>189,408</u>	<u>14,093</u>	<u>113,145</u>	<u>1,813,081</u>
<u>\$ 221,586</u>	<u>\$ 154,065</u>	<u>\$ 54,590</u>	<u>\$ 216,921</u>	<u>\$ 20,013</u>	<u>\$ 172,393</u>	<u>\$ 1,984,967</u>

Charter Township of Kalamazoo
COMBINING BALANCE SHEET - enterprise funds
 December 31, 2007

	<u>Golf Course</u>	<u>Economic Development Loan</u>	<u>Building Inspections</u>	<u>Total nonmajor enterprise funds</u>
ASSETS				
Current assets:				
Cash	\$ 78,717	\$ -	\$ -	\$ 78,717
Prepaid costs	9,020	-	-	9,020
Receivables, net	-	-	5,280	5,280
Notes receivable - current portion	-	100	-	100
Total current assets	<u>87,737</u>	<u>100</u>	<u>5,280</u>	<u>93,117</u>
Capital assets not being depreciated - land	171,000	-	-	171,000
Capital assets, net of accumulated depreciation	<u>90,775</u>	<u>-</u>	<u>-</u>	<u>90,775</u>
Total capital assets	<u>261,775</u>	<u>-</u>	<u>-</u>	<u>261,775</u>
Other assets - notes receivable, net of current portion	<u>-</u>	<u>9,514</u>	<u>-</u>	<u>9,514</u>
TOTAL ASSETS	<u>349,512</u>	<u>9,614</u>	<u>5,280</u>	<u>364,406</u>
LIABILITIES				
Accounts payable	<u>-</u>	<u>-</u>	<u>1,930</u>	<u>1,930</u>
NET ASSETS				
Invested in capital assets	261,775	-	-	261,775
Unrestricted, unallocated	<u>87,737</u>	<u>9,614</u>	<u>3,350</u>	<u>100,701</u>
TOTAL NET ASSETS	<u>\$ 349,512</u>	<u>\$ 9,614</u>	<u>\$ 3,350</u>	<u>\$ 362,476</u>

Charter Township of Kalamazoo

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGE IN FUND NET ASSETS - enterprise funds**

Year ended December 31, 2007

	<u>Golf Course</u>	<u>Economic Development Loan</u>	<u>Building Inspections</u>	<u>Total nonmajor enterprise funds</u>
OPERATING REVENUES				
Licenses and permits	\$ -	\$ -	\$ 162,988	\$ 162,988
Rentals	<u>19,620</u>	<u>-</u>	<u>-</u>	<u>19,620</u>
Total operating revenues	<u>19,620</u>	<u>-</u>	<u>162,988</u>	<u>182,608</u>
OPERATING EXPENSES				
Salaries	-	-	126,760	126,760
Payroll benefits	-	-	21,834	21,834
Supplies	-	-	1,587	1,587
Purchased services	-	-	24,542	24,542
Telephone	-	-	1,026	1,026
Repairs and maintenance	242	-	2,431	2,673
Travel	-	-	4,587	4,587
Depreciation	<u>13,510</u>	<u>-</u>	<u>-</u>	<u>13,510</u>
Total operating expenses	<u>13,752</u>	<u>-</u>	<u>182,767</u>	<u>196,519</u>
OPERATING INCOME (LOSS)	5,868	-	(19,779)	(13,911)
NONOPERATING REVENUE - Interest	<u>-</u>	<u>4,126</u>	<u>-</u>	<u>4,126</u>
NET INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	5,868	4,126	(19,779)	(9,785)
EXTRAORDINARY ITEM				
Return of funds to State of Michigan	<u>-</u>	<u>(136,604)</u>	<u>-</u>	<u>(136,604)</u>
NET INCOME (LOSS)	5,868	(132,478)	(19,779)	(146,389)
NET ASSETS - BEGINNING	<u>343,644</u>	<u>142,092</u>	<u>23,129</u>	<u>508,865</u>
NET ASSETS - ENDING	<u>\$ 349,512</u>	<u>\$ 9,614</u>	<u>\$ 3,350</u>	<u>\$ 362,476</u>

Charter Township of Kalamazoo

COMBINING STATEMENT OF CASH FLOWS - enterprise funds

Year ended December 31, 2007

	<u>Golf Course</u>	<u>Economic Development Loan</u>	<u>Building Inspections</u>	<u>Total nonmajor enterprise funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 19,620	\$ 100	\$ 162,191	\$ 181,911
Payments to suppliers	(242)	-	(39,653)	(39,895)
Payments to employees	-	-	(148,594)	(148,594)
Net cash provided by (used in) operating activities	<u>19,378</u>	<u>100</u>	<u>(26,056)</u>	<u>(6,578)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Return of funds to State of Michigan	-	(136,604)	-	(136,604)
CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(25,667)	-	-	(25,667)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	-	4,126	-	4,126
NET DECREASE IN CASH	(6,289)	(132,378)	(26,056)	(164,723)
CASH - BEGINNING	<u>85,006</u>	<u>132,378</u>	<u>26,056</u>	<u>243,440</u>
CASH - ENDING	<u>\$ 78,717</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,717</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 5,868	\$ -	\$ (19,779)	\$ (13,911)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	13,510	-	-	13,510
(Increase) decrease in receivables, net	-	100	(797)	(697)
Decrease in payables, net	-	-	(5,480)	(5,480)
Net cash provided by (used in) operating activities	<u>\$ 19,378</u>	<u>\$ 100</u>	<u>\$ (26,056)</u>	<u>\$ (6,578)</u>

May 2, 2008

To the Board of Trustees
Charter Township of Kalamazoo

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 Kalamazoo for the year ended December 31, 2007, and have issued our report thereon dated May 2, 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 Kalamazoo 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 Kalamazoo 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.



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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 Kalamazoo'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 Kalamazoo 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 Kalamazoo'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 Kalamazoo 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.E.