

Grand Haven Charter Township
Ottawa County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended December 31, 2007

Grand Haven Charter Township

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Management's Discussion and Analysis

As management of Grand Haven Charter Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of the Township for the fiscal year ended December 31, 2007. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

GENERAL ECONOMIC OVERVIEW

Heading into 2008, the Township's fund balance and cash reserves remain healthy, ensuring cash flow and reserves for both economic downturns and cash for both capital projects and/or emergency events

Further, Township board and staff remain optimistic that the Township's history of economic stability will continue even through the current economic slowdown. Early in 2008, this optimism was supported when Standard and Poor's increased Grand Haven Charter Township's Unlimited Tax Long-term Bond rating from 'A' to 'AA/Stable'.

Standard and Poor's underlying rating (or SPUR) is a critical factor in determining the level of risk and therefore the interest rate the Township will pay when issuing long-term debt.

The rationale from the Standard and Poor's report stated that the upgraded rating "*reflected the township's maintenance of strong reserve levels as it continues to experience good tax base growth and keeps relatively low debt levels.*"

Further, the report noted that "*the township's 2007 median household effective buying income was very strong at 135% of the state and 137% of the national levels. The township's taxable value continues to show remarkable growth, increasing more than 7% annually between tax years 2003 and 2007 to over \$675 million.*"

The report also stated that "*Standard and Poor's Rating Service considers the township's financial management "good" under its Financial Management Assessment.*"

Ottawa County in general and Grand Haven Charter Township in particular continues to be a Michigan 'bright spot' that is bucking the economic malaise afflicting much of the state.

On the negative side, the 2007 audit indicated problems with the financial record keeping leading to three material weaknesses. These weaknesses have been corrected in 2008 and improvements made to the system of financial reporting to prevent these types of reporting errors from re-occurring.

For fiscal year 2008, the Township has budgeted operations to be fairly comparable to 2007. The Township has budgeted for some significant capital projects as noted below:

- The Township intends to issue \$985,000 in unlimited tax obligation bond to fund the replacement of the Township's main sanitary sewer lift station that has exceeded its 25-year design capacity.

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- The Township has budgeted for a construction contract for the replacement of the aforementioned lift station in the amount of \$716,625. *(With land, engineering and legal costs added, the total project cost is expected to be about \$925,000 or about 16% below original cost estimates.)*
- The Township has budgeted for the purchase of two vehicles through the State of Michigan Purchasing Plan at a combined cost of \$37,382.
- The Township has budgeted for a new phone/communications system from TDS at a cost of about \$54,630.
- The Township has budgeted for a purchase agreement with Seaver Manufacturing for a fire tanker/pumper at a cost of approximately \$219,850.

FINANCIAL HIGHLIGHTS

- At the close of the fiscal year Grand Haven Charter Township had total assets of \$27,705,742 and total liabilities of \$12,849,787 leaving net assets of \$14,855,955, an increase of 3% in the Township's overall net assets. In addition, the Downtown Development Authority (DDA) had total assets of \$981,981 and total liabilities of \$522,085 leaving net assets of \$459,896, an increase of 112.9% in the DDA's overall net assets.
- Total revenues, including all program and general revenues, were \$7,185,196 made up of governmental revenues of \$4,494,757 and business-type revenues of \$2,690,439. Revenues for the DDA were \$424,322 compared with \$721,246 in the prior year. *(The prior year included contributions toward the 172nd Avenue widening and storm drain project.)*
- Total expenses for all of the Township's programs were \$6,746,148. Of that total, the governmental expenses were \$4,127,854 and the business-type expenses were \$2,618,294. In addition, the DDA had expenses of \$180,421.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

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The Statement of Activities presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business-type activities). The governmental activities of the Township include general government, public safety, public works, community and economic development and cultural and recreational activities. The business-type activities of the Township include water distribution and sewer services.

The government-wide financial statements include not only Grand Haven Charter Township (the primary government) but also the legally separate Downtown Development Authority. The board of this organization is appointed by the Township and the Township is financially accountable for it. The financial information of this component unit is reported in a separate column from the financial information of the primary government.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories-governmental funds, proprietary funds and fiduciary funds.

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

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

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Grand Haven Charter Township maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Fire Fund, which are considered major funds. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds. The Township has enterprise proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for its water distribution and sewer operations.

Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise funds financial statements provided separate information for the Water and Sewer funds, both of which are major funds.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budgetary information as it relates to the actual expenditures for the General Fund and Fire Fund.

Government-wide Financial Analysis

The first table presented below is a summary of the government-wide statement of net assets for the Township. The net assets may be used as an indicator of a government's financial health. As of December 31, 2007, the Township's net assets from governmental activities totaled \$5,146,745 (34.6%) and \$9,709,210 (65.4%) from business-type activities, creating a total government-wide net assets total of \$14,855,955. In addition, the DDA has net assets of \$459,896.

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets (*i.e., buildings, land, vehicles, equipment, etc.*) These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for governmental-type activities actually depict a balance of \$2,012,402. This represents the amount of discretionary cash or investments that can be used for general governmental operations.

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The business-type activities show a total of \$9,709,210 in net assets and \$3,293,266 in unrestricted net assets. The Sewer Fund and Water Fund unrestricted net assets are \$1,835,390 and \$1,457,876, respectively.

The DDA net assets and unrestricted net assets are equal since the DDA does not own any capital assets, the DDA has not issued any bonds or other obligations, the DDA has no access rights, and the DDA has no restrictions for other uses. Both the restricted and unrestricted net assets for the DDA are \$459,896. *(This number may change dramatically from year-to-year depending upon any construction project that may be scheduled that is designed to create, enhance or repair infrastructure within the DDA's boundaries.)*

The table below compares net assets in within the governmental and business-type activities. *(The table does not include the DDA component unit.)*

	Net Assets					
	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Current assets and other assets	\$ 5,735,817	\$ 5,563,330	\$ 2,946,659	\$ 3,141,333	\$ 8,682,476	\$ 8,704,663
Capital assets	5,655,448	5,895,157	13,367,818	14,073,385	19,023,266	19,968,542
Total assets	11,391,265	11,458,487	16,314,477	17,214,718	27,705,742	28,673,205
Current liabilities	3,454,213	3,548,571	841,313	1,074,589	4,295,526	4,623,160
Noncurrent liabilities	2,790,307	3,223,682	5,763,954	6,409,456	8,554,261	9,633,138
Total liabilities	6,244,520	6,772,253	6,605,267	7,484,045	12,849,787	14,256,298
Net assets						
Invested in capital assets, net of related debt	2,470,948	2,280,613	5,922,941	5,751,636	8,393,889	8,032,249
Restricted	663,395	524,503	493,003	716,205	1,156,398	1,240,708
Unrestricted	2,012,402	1,881,118	3,293,266	3,262,832	5,305,668	5,143,950
Total net assets	\$ 5,146,745	\$ 4,686,234	\$ 9,709,210	\$ 9,730,673	\$ 14,855,955	\$ 14,416,907

The table above shows a decrease in capital assets from 2006 to 2007 for both governmental and business-type activities caused primarily by ordinary depreciation. The decline in long-term debt was the result of scheduled debt repayments.

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An increase in the unrestricted assets for both governmental activities and business-type activities was caused by the use of restricted assets for debt payments in the business-type funds and higher than anticipated revenues in the General Fund, with cost savings being realized across most of the fund's accounts.

Governmental Activities

The Township experienced a \$452,350 (21.4%) increase in property tax revenue, due primarily to the voters' approval of a new 0.5 mill Township-wide Police SAD (*i.e.*, \$310,628 of the total increase). However, the remaining increase was primarily due to new construction in the Township and growth in taxable value. Investment earnings also increased due to an increase in unrestricted net assets. These increases attributed to an overall increase in revenue of \$542,868 (16.2%). The increase in expenses of \$114,879 was outpaced revenue leading to an increase in net assets.

Governmental activities expenditures increased by \$114,879 (2.9%) during the 2007 fiscal year. This was primarily due to increased spending on public safety (*i.e.*, the *Community Oriented Policing Services program*).

Business-type Activities

At the end of the fiscal year, the net assets for business-type activities decreased \$21,463 (0.2%). Two funds comprise the business-type activities. The Water Fund experienced a decrease in net assets for the year totaling \$2,183 while the Sewer Fund net assets decreased \$19,280.

The table on business-type activities shows an increase in charges for services of due primarily to an increase in commodity rates approved by the Township Board.

Total expenses for business-type activities increased by \$144,213 (5.8%) above last year due to litigation costs from the Nows intake lawsuit, higher than anticipated water purchases, and unanticipated costs related to the bridge crossing and service line replacements with the Mercury Drive project.

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Management's Discussion and Analysis

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenues						
Charges for services	\$ 660,476	\$ 648,201	\$ 2,319,889	\$ 2,086,152	\$ 2,980,365	\$ 2,734,353
Operating grants and contributions	26,487	22,148	-	-	26,487	22,148
Capital grants and contributions	-	672	-	-	-	672
General revenues						
Property taxes	2,382,465	1,931,023	179,915	179,007	2,562,380	2,110,030
Grants and contributions not restricted	921,127	917,364	-	-	921,127	917,364
Unrestricted investment earnings	251,137	202,582	190,635	209,610	441,772	412,192
Miscellaneous	214,010	211,315	-	-	214,010	211,315
Gain on sale of capital assets	39,055	4,835	-	2,300	39,055	7,135
Total revenues	4,494,757	3,938,140	2,690,439	2,477,069	7,185,196	6,415,209
Expenses						
General government	1,343,093	1,333,687	-	-	1,343,093	1,333,687
Public safety	1,267,143	1,103,474	-	-	1,267,143	1,103,474
Public works	483,278	530,428	-	-	483,278	530,428
Community and economic development	397,514	405,302	-	-	397,514	405,302
Culture and recreation	475,784	457,724	-	-	475,784	457,724
Interest on long term debt	161,042	182,360	-	-	161,042	182,360
Sewer Fund	-	-	620,687	488,333	620,687	488,333
Water Fund	-	-	1,997,607	1,985,748	1,997,607	1,985,748
Total expenses	4,127,854	4,012,975	2,618,294	2,474,081	6,746,148	6,487,056
Change in net assets before transfers	366,903	(74,835)	72,145	2,988	439,048	(71,847)
Transfers	93,608	91,415	(93,608)	(91,415)	-	-
Change in net assets	460,511	16,580	(21,463)	(88,427)	439,048	(71,847)
Net assets - Beginning	4,686,234	4,669,654	9,730,673	9,819,100	14,416,907	14,488,754
Net assets - Ending	\$ 5,146,745	\$ 4,686,234	\$ 9,709,210	\$ 9,730,673	\$ 14,855,955	\$ 14,416,907

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Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2007 fiscal year, the governmental funds reported a combined fund balance of \$2,816,411. This number represents the fund balance of \$2,092,097 in the General Fund, \$356,872 in the Fire Fund and \$367,442 in other governmental funds. It is necessary to further distinguish between the unreserved and reserved fund balance. The unreserved balance represents what is available for spending at the Township's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of \$47,737 and pay debt service of \$329,089.

The General Fund is the chief operating fund of the Township. At the end of 2007, the unreserved General Fund fund balance was \$2,068,283 and the total General Fund fund balance was \$2,092,097. Of the unreserved fund balance, the Township Board has designated \$294,000 for future infrastructure improvements. As a measure of the General Fund's liquidity, it may be useful to compare both the unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 56% of the budgeted 2008 General Fund expenditures.

Proprietary Funds. The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Again, the Water Fund experienced a decrease in net assets for the year totaling \$2,183 while the Sewer Fund net assets decreased \$19,280.

Cash reserves in the Sewer Fund decreased by \$171,119 to \$1,445,580. Cash reserves in the Water Fund decreased by \$212,041 to \$1,577,875.

Budget to Actual Comparison

As is typical for a local unit of government, during the 2007 fiscal year, the Township made several amendments to its original budget. A brief overview of these changes for the General Fund is listed below:

- The budgeted revenues for the General Fund decreased by \$30,370 mainly due to lower than anticipated state revenue sharing and a slow-down in construction. However, most other General Fund revenue streams actually ended above projections so that General Fund revenues ended almost \$109,000 above estimates.

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- Township Board expenditures were reduced by about \$26,000 due to lower than anticipated legal and professional fees and more limited gypsy moth spraying. Actual expenditures were about \$9,000 below this reduction.
- Supervisor expenditures were reduced by \$940, with actual expenditures about \$1,500 below this reduction.
- Elections expenditures were reduced by \$13,450 due to having one less election than anticipated. Actual expenditures were about \$3,900 below this reduction.
- Finance expenditures were reduced by \$1,590 due to lower than anticipated health care costs. Actual expenditures were about \$3,580 below this reduction.
- Assessor expenditures were reduced by \$21,195 due to lower than anticipated health care costs and a delay in replacing department staff. Actual expenditures were about \$9,640 below this reduction.
- The Clerk's budget was not amended but expenditures were about \$4,300 below.
- The Board of Review budget was not amended but expenditures were about \$515 below.
- Administrative expenditures for the General Fund were reduced by \$8,150 due to a delay in replacing staff.
- The Treasurer's budget was not amended but expenditures were about \$1,865 below.
- Building and Grounds expenditures were reduced by \$34,900 due to postponing the purchase of a new telephone/communications system from 2007 until 2008. Actual expenditures were about \$11,110 below this reduction.
- Cemetery expenditures were increased by \$8,480 due to a higher than anticipated level of burials/activity. Actual expenditures were about \$6,000 below this increase.
- Community and Economic Development expenditures were increase slightly by \$350 due to a higher wage rate for a new inspector. Actual expenditures were about \$3,375 below this increase.
- Road Construction and Maintenance expenditures were increased by \$94,100 because of additional road paving needs being identified. Actual expenditures were about \$13,030 above this increase. (*Unexpected and late invoices from the Ottawa County Road Commission pushed this account over budget.*)
- Street Lighting expenditures were increase by \$13,000 because of higher than anticipated electrical costs. Actual expenditures were about \$1,000 below this increase.
- Waste Collection expenditures were increased by \$6,675 because of a larger than anticipated Spring clean-up event. Actual expenditures were about \$630 below this increase.
- Storm Drains expenditure was decreased by \$8,690 because of a court decision that removed the Township from NPDES Storm Water regulations.
- Parks and Recreation expenditures were increased by \$24,760 because of higher than anticipated labor costs and increased costs associated with the Hofma Preserve trail restoration project. Actual expenditures were about \$12,420 below this increase.
- Bike Path expenditures were decreased by \$3,885 due to lower labor costs. Actual expenditures were about \$450 below this increase.
- Planning Commission expenditures were reduced by \$27,290 due to lower than anticipated activity and corresponding professional fees. Actual expenditures were about \$2,870 below this decrease.

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- Board of Appeals expenditures were increased by \$2,140 because of increased activity for this Board. Actual expenditures were about \$865 below this increase.
- Transfers out were reduced by \$18,000 due to the mechanism for transferring penal fines to the Police SAD Fund being changed. Actual transfers out were about \$150 below this decrease.

The following comments summarize the major variations from the final General Fund budget to actual revenues and expenditures.

- Budgeted General Fund revenues ended the year \$123,976 above budget. Most of this overage came from investment earnings which were \$29,746 over budget, property taxes which were about \$62,605 over budget as the result of payment from a bankruptcy and State Shared Revenue which were \$20,742 above anticipated payments.
- Budgeted General Fund expenditures ended the year \$60,712 below budget. The difference was spread throughout the various General Fund accounts.

A brief overview of these changes for the Fire Fund budget is listed below:

- The budgeted revenues for the Fire Fund were decreased by \$156,735 mainly due to the denial of an expected FEMA Fire Grant. However, most other Fire Fund revenue streams actually ended above projections so that Fire Fund revenues ended \$29,435 above estimates.
- The budgeted expenditures for the Fire Fund were decreased by \$164,355 mainly due to the proposed capital expenditure from the FEMA Fire Grant being postponed until 2008. Actual expenditures were \$31,246 below this budget reduction.

A brief overview of these changes for the Police SAD Fund budget is listed below:

- The budgeted revenues for the Police SAD Fund increased by \$8,610 because of higher than anticipated fines generated by the traffic vehicle. Actual revenues ended about \$1,320 above estimates.
- The budgeted expenditures for the Police SAD Fund were increased by \$7,650 because of anticipated costs across all line items. However, actual expenditures were about \$12,530 below this budget increase.

A brief overview of the Cemetery Fund budget is listed below:

- The revenues for the Cemetery Fund ended about \$2,855 above budget.
- The expenditures for the Cemetery Fund were about \$9,930 below budget.

A brief overview of these changes for the DDA budget is listed below:

- The budgeted revenues for the DDA Fund decreased by \$6,780 due to lower than anticipated interest rate. Actual revenues ended about \$3,800 above estimates.

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- The budgeted expenditures for the DDA Fund were increased by \$6,500 because of actual costs between the 2006 and 2007 Fiscal Year for the 172nd Storm Sewer project. However, actual expenditures were about \$37,965 above this budget increase because of higher than anticipated professional fees associated with the 2008 Hayes Street project.

The four debt funds (*i.e.*, *Pathway, Water, Building and Fire Building*) performed as anticipated.

A brief overview of these changes for the Sewer Fund budget is listed below:

- The budgeted revenues for the Sewer Fund decreased by \$65,485 due to the economic slowdown resulting in fewer connection and trunkage fees. Actual revenues ended about \$255 below estimates.
- The budgeted expenditures for the Sewer Fund were reduced by \$163,230 mainly due to a decision not to purchase a VacTruck. However, actual expenditures were about \$142,995 below this budget decrease due to decreased activity on all levels resulting from the economic slowdown.

A brief overview of these changes for the Water Fund budget is listed below:

- The budgeted revenues for the Water Fund increased by \$72,915 due to the economic slowdown resulting in fewer connection and trunkage fees. Actual revenues ended about \$1,685 above estimates.
- The budgeted expenditures for the Water Fund were increased by \$89,310 mainly due to litigation costs associated with the NOWS intake lawsuit. However, actual expenditures were about \$88,995 above this budget increase reflecting unanticipated legal costs associated with the lawsuit.
- The budget for intergovernmental revenues – state was decreased to \$923,620 from \$947,300 due to continued cutbacks at the state level.
- The budget for investment earnings was increased to \$122,710 from \$106,500 due to maturing investments being replaced with higher yield investments.
- The budget for Township Board was increased to \$252,250 from \$201,035 due primarily to costs for mid-decade census and a change in accounting policy affecting legal fees.
- The budget for Building and Zoning was decreased to \$361,120 from \$384,895 as a result of staff changes.
- The budget for capital outlay was reduced to \$64,025 from \$126,200 due primarily to a delay in a park project.

Capital Assets Administration

The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2007 totaled \$17,021,818 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, furniture, machinery, equipment, utility systems and vehicles.

Major capital asset events (*i.e.*, *valued over \$5,000*) during the 2007 fiscal year included the following:

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- Purchase of a 2007 Dodge Grand Caravan through the state purchasing program at a cost of \$20,167;
- Purchase of a 2008 Ford F-250 truck through the state purchasing program at a cost of \$25,087;
- Purchase of a 2008 Ford F-250 truck through the state purchasing program at a cost of 28,024;
- Purchase of a hard-disk back-up system at a cost of \$10,463;
- Construction of a parking lot at the Mercury Park facility at a cost of \$31,449;
- Restoration of trails at Hofma Park/Preserve at a cost of \$29,100;
- Installation of a new backstop at Hofma Park at a cost of \$5,205;
- Installation of the “Lakeshore Drive Water Main Extension” at a cost of \$22,247;
- Installation of new service lines and water main as part of the Mercury Drive widening and reconstruction project at a cost of \$11,819;
- Purchase an installation of radio equipment for the Sewer SCADA project at a cost of \$12,390;
- Purchase of Wonderware software, which is the “core” software for the SCADA system, at a cost of \$36,300; and,
- Upgrades to certain sanitary sewer lift stations at a cost of \$20,380.

Capital Assets (Net of Accumulated Depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Land	\$ 745,655	\$ 745,655	\$ 55,804	\$ 47,399	\$ 801,459	\$ 793,054
Construction in progress	-	-	222,279	262,438	222,279	262,438
Land improvements	1,021,576	1,100,739	-	-	1,021,576	1,100,739
Buildings and improvements	3,237,975	3,343,210	-	-	3,237,975	3,343,210
Utility systems	-	-	10,925,057	11,337,965	10,925,057	11,337,965
Furniture, machinery and equipment	165,246	193,739	163,230	76,114	328,476	269,853
Vehicles	255,496	252,270	-	-	255,496	252,270
Shared improvements	229,500	255,000	-	-	229,500	255,000
Total	\$ 5,655,448	\$ 5,890,613	\$ 11,366,370	\$ 11,723,916	\$ 17,021,818	\$ 17,614,529

Additional information on the Township’s capital assets can be found in Note D of the “Notes to the Financial Statements” of this report.

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Long-Term Debt

At the end of the 2007 fiscal year, the Township had total outstanding debt of \$9,696,568 consisting of general obligations bonds, revenue bonds and compensated absences. The general obligation debt of \$3,287,114 in governmental funds is backed by the full-faith and credit of the Township. Approximately \$6,409,454 or (66%) of the Township's outstanding debt represented in table below is recorded as revenue bonds. The payment of this debt service is anticipated through the revenues generated from the water and sewer services in the enterprise funds.

Outstanding Debt

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
General obligations						
bonds	\$ 3,184,500	\$ 3,610,000	\$ -	\$ -	\$ 3,184,500	\$ 3,610,000
Revenue bonds	-	-	6,409,454	7,020,456	6,409,454	7,020,456
Compensated absences	102,614	78,364	-	-	102,614	78,364
Total	<u>\$ 3,287,114</u>	<u>\$ 3,688,364</u>	<u>\$ 6,409,454</u>	<u>\$ 7,020,456</u>	<u>\$ 9,696,568</u>	<u>\$ 10,708,820</u>

The Township's total debt decreased by \$1,012,252 during the 2007 fiscal year. This reduction was due to normal debt payoffs. The Township did not issue any new debt this year.

Additional information on the Township's long-term debt can be found in Note I of the "Notes to the Financial Statements" of this report.

Requests for Information

This financial report is designed to provide a general overview of Grand Haven Charter Township's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to William D. Cargo, Superintendent, Grand Haven Charter Township, 13300 168th Avenue, Grand Haven, Michigan, 49417, (616) 842-5988.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

June 13, 2008

Township Board
Grand Haven Charter Township
Grand Haven, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Grand Haven Charter Township, Michigan as of and for the year ended December 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Grand Haven Charter Township, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Grand Haven Charter Township, 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 accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i - xiii and 33 - 34 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of 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.

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



Grand Haven Charter Township
STATEMENT OF NET ASSETS
December 31, 2007

ASSETS

	Governmental activities	Business-type activities	Total	Component Unit Downtown Development Authority
CURRENT ASSETS				
Cash and investments	\$ 4,159,180	\$ 2,530,452	\$ 6,689,632	\$ 783,365
Receivables	1,356,466	411,391	1,767,857	198,616
Due from other governmental units	159,463	-	159,463	-
Internal balances	5,408	(5,408)	-	-
Due from component unit	7,563	-	7,563	-
Prepaid items	47,737	10,224	57,961	-
Total current assets	5,735,817	2,946,659	8,682,476	981,981
NONCURRENT ASSETS				
Restricted assets	-	493,003	493,003	-
Capital assets, net				
Nondepreciable	745,655	278,083	1,023,738	-
Depreciable	4,909,793	11,088,287	15,998,080	-
Access rights, net	-	874,886	874,886	-
Bond issue costs, net	-	91,139	91,139	-
Special assessments receivable	-	510,021	510,021	-
Contracts receivable	-	32,399	32,399	-
Total noncurrent assets	5,655,448	13,367,818	19,023,266	-
Total assets	11,391,265	16,314,477	27,705,742	981,981
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	184,021	91,288	275,309	60,509
Due to other governmental units	54,823	44,640	99,463	-
Due to primary government	-	-	-	7,563
Deferred revenue	2,718,562	59,885	2,778,447	454,013
Bonds and other obligations, due within one year	496,807	645,500	1,142,307	-
Total current liabilities	3,454,213	841,313	4,295,526	522,085
NONCURRENT LIABILITIES				
Bonds and other obligations, less amounts due within one year	2,790,307	5,763,954	8,554,261	-
Total liabilities	6,244,520	6,605,267	12,849,787	522,085
NET ASSETS				
Invested in capital assets, net of related debt	2,470,948	5,922,941	8,393,889	-
Restricted for:				
Debt service	291,089	355,463	646,552	-
Capital projects	-	137,540	137,540	-
Fire department operations	356,872	-	356,872	-
Police services	15,434	-	15,434	-
Unrestricted	2,012,402	3,293,266	5,305,668	459,896
Total net assets	\$ 5,146,745	\$ 9,709,210	\$ 14,855,955	\$ 459,896

The accompanying notes are an integral part of this statement.

Grand Haven Charter Township
STATEMENT OF ACTIVITIES
For the year ended December 31, 2007

<i>Functions/Programs</i>	Net (Expense) Revenue and Changes in Net Assets						
	Expenses	Program Revenue		Primary Government			Component Unit
		Charges for services	Operating grants and contributions	Governmental activities	Business-type activities	Total	Downtown Development Authority
Primary government							
Governmental activities							
General government	\$ 1,343,093	\$ 402,371	\$ -	\$ (940,722)	\$ -	\$ (940,722)	\$ -
Public safety	1,267,143	25,133	3,000	(1,239,010)	-	(1,239,010)	-
Public works	483,278	-	-	(483,278)	-	(483,278)	-
Community and economic development	397,514	207,831	-	(189,683)	-	(189,683)	-
Culture and recreation	475,784	25,141	23,487	(427,156)	-	(427,156)	-
Interest on long-term debt	161,042	-	-	(161,042)	-	(161,042)	-
Total governmental activities	4,127,854	660,476	26,487	(3,440,891)	-	(3,440,891)	-
Business-type activities							
Sewer	620,687	524,356	-	-	(96,331)	(96,331)	-
Water	1,997,607	1,795,533	-	-	(202,074)	(202,074)	-
Total business-type activities	2,618,294	2,319,889	-	-	(298,405)	(298,405)	-
Total primary government	<u>\$ 6,746,148</u>	<u>\$ 2,980,365</u>	<u>\$ 26,487</u>	(3,440,891)	(298,405)	(3,739,296)	-
Component unit							
Downtown Development Authority							
Community and economic development	<u>\$ 180,421</u>	<u>\$ -</u>	<u>\$ -</u>	-	-	-	(180,421)
General revenues							
Property taxes, levied for							
General purposes				863,690	-	863,690	398,775
Specific purposes				1,518,775	179,915	1,698,690	-
Grants and contributions not restricted to specific programs				921,127	-	921,127	-
Unrestricted investment earnings				251,137	190,635	441,772	25,547
Miscellaneous				214,010	-	214,010	-
Gain on sale of capital asset				39,055	-	39,055	-
Transfers				93,608	(93,608)	-	-
Total general revenues and transfers				3,901,402	276,942	4,178,344	424,322
Change in net assets				460,511	(21,463)	439,048	243,901
Net assets at January 1, 2007				4,686,234	9,730,673	14,416,907	215,995
Net assets at December 31, 2007				<u>\$ 5,146,745</u>	<u>\$ 9,709,210</u>	<u>\$ 14,855,955</u>	<u>\$ 459,896</u>

The accompanying notes are an integral part of this statement.

Grand Haven Charter Township
BALANCE SHEET
 Governmental Funds
 December 31, 2007

	General Fund	Fire Fund	Other governmental funds	Total governmental funds
ASSETS				
Cash and investments	\$ 2,614,437	\$ 788,707	\$ 756,036	\$ 4,159,180
Receivables				
Accounts	24,479	-	659	25,138
Property taxes	420,967	539,287	362,106	1,322,360
Special assessments	4,152	-	-	4,152
Interest	4,817	-	-	4,817
Due from other governmental units	159,463	-	-	159,463
Due from other funds	10,945	-	-	10,945
Due from component unit	7,563	-	-	7,563
Prepaid items	23,814	20,207	3,716	47,737
Advances to other funds	-	-	314,500	314,500
	<u>\$ 3,270,637</u>	<u>\$ 1,348,201</u>	<u>\$ 1,437,017</u>	<u>\$ 6,055,855</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 62,757	\$ 9,696	\$ 91	\$ 72,544
Accrued liabilities	40,758	32,719	-	73,477
Due to other governmental units	32,163	42	22,618	54,823
Due to other funds	-	5,213	324	5,537
Deferred revenue	728,362	943,659	1,046,542	2,718,563
Advances from other funds	<u>314,500</u>	<u>-</u>	<u>-</u>	<u>314,500</u>
Total liabilities	1,178,540	991,329	1,069,575	3,239,444
Fund balances				
Reserved for:				
Prepaid items	23,814	20,207	3,716	47,737
Debt service	-	-	329,089	329,089
Unreserved				
Designated for infrastructure improvements				
General Fund	294,000	-	-	294,000
Undesignated, reported in				
General Fund	1,774,283	-	-	1,774,283
Special revenue funds	-	336,665	34,637	371,302
Total fund balances	<u>2,092,097</u>	<u>356,872</u>	<u>367,442</u>	<u>2,816,411</u>
Total liabilities and fund balances	<u>\$ 3,270,637</u>	<u>\$ 1,348,201</u>	<u>\$ 1,437,017</u>	<u>\$ 6,055,855</u>

The accompanying notes are an integral part of this statement.

Grand Haven Charter Township
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS**
 December 31, 2007

Total fund balance—governmental funds		\$ 2,816,411
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of capital assets	\$ 10,615,617	
Accumulated depreciation	<u>(4,960,169)</u>	5,655,448
Accrued interest in governmental activities is not reported in the governmental funds.		
		(38,000)
Long-term liabilities in governmental activities are not due and payable in the current period and are not reported in the governmental funds.		
Bonds and notes payable	(3,184,500)	
Compensated absences	<u>(102,614)</u>	<u>(3,287,114)</u>
Net assets of governmental activities in the Statement of Net Assets		<u>\$ 5,146,745</u>

The accompanying notes are an integral part of this statement.

Grand Haven Charter Township
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Governmental Funds
 For the year ended December 31, 2007

	General Fund	Fire Fund	Other governmental funds	Total governmental funds
REVENUES				
Property taxes	\$ 863,690	\$ 892,762	\$ 626,012	\$ 2,382,464
Licenses and permits	320,363	-	-	320,363
Intergovernmental revenues - State	921,127	-	-	921,127
Charges for services	76,700	3,817	1,972	82,489
Fines and forfeitures	34,097	-	21,316	55,413
Investment earnings	190,571	31,250	29,316	251,137
Other	435,933	5,421	3,000	444,354
Total revenues	2,842,481	933,250	681,616	4,457,347
EXPENDITURES				
Current				
General government	1,266,299	-	5,620	1,271,919
Public safety	-	860,611	318,639	1,179,250
Public works	399,188	-	-	399,188
Community and economic development	397,513	-	-	397,513
Culture and recreation	307,133	-	-	307,133
Debt service				
Principal	25,500	-	400,000	425,500
Interest and fees	16,575	-	151,667	168,242
Capital outlay	147,557	1,938	-	149,495
Total expenditures	2,559,765	862,549	875,926	4,298,240
Excess of revenues over (under) expenditures	282,716	70,701	(194,310)	159,107
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	39,055	-	39,055
Transfers in	-	-	217,694	217,694
Transfers out	(124,086)	-	-	(124,086)
Total other financing sources (uses)	(124,086)	39,055	217,694	132,663
Net change in fund balances	158,630	109,756	23,384	291,770
Fund balances at January 1, 2007	1,933,467	247,116	344,058	2,524,641
Fund balances at December 31, 2007	\$ 2,092,097	\$ 356,872	\$ 367,442	\$ 2,816,411

The accompanying notes are an integral part of this statement.

Grand Haven Charter Township
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**
For the year ended December 31, 2007

Net change in fund balances—total governmental funds \$ 291,770

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense	\$ (384,660)	
Capital outlay	<u>149,495</u>	(235,165)

Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		425,500
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Interest expense on long-term debt is recorded in the Statement of Activities when incurred, but is not reported in the governmental funds until paid.		7,200
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Compensated absences are reported on the accrual method in the Statement of Activities and reported as expenditures when financial resources are used in the governmental funds.		(24,250)
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Governmental funds recognize special assessments as revenue as they become current, however they are recognized in full when levied in the Statement of Net Assets.		<u>(4,544)</u>
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Change in net assets of governmental activities		<u><u>\$ 460,511</u></u>
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The accompanying notes are an integral part of this statement.

Grand Haven Charter Township
STATEMENT OF NET ASSETS
 Proprietary Funds
 December 31, 2007
 ASSETS

	Business-type activities - Enterprise funds		
	Sewer	Water	Total
CURRENT ASSETS			
Cash and investments	\$ 1,308,040	\$ 1,222,412	\$ 2,530,452
Receivables			
Accounts	50,847	266,493	317,340
Property taxes	-	29,731	29,731
Special assessments	42,182	194	42,376
Contracts	-	21,856	21,856
Interest	-	88	88
Prepaid items	2,619	7,605	10,224
Total current assets	1,403,688	1,548,379	2,952,067
NONCURRENT ASSETS			
Restricted assets	137,540	355,463	493,003
Capital assets			
Land	8,405	47,399	55,804
Utility systems	5,026,185	12,871,814	17,897,999
Machinery and equipment	166,702	167,624	334,326
Construction in progress	20,380	201,899	222,279
Less accumulated depreciation	(1,657,513)	(5,486,525)	(7,144,038)
Net capital assets	3,564,159	7,802,211	11,366,370
Access rights, net	-	874,886	874,886
Bond issuance costs, net	12,926	78,213	91,139
Special assessments receivable	502,335	7,686	510,021
Contracts receivable	-	32,399	32,399
Total noncurrent assets	4,216,960	9,150,858	13,367,818
Total assets	5,620,648	10,699,237	16,319,885
	LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES			
Accounts payable	57,622	15,875	73,497
Accrued liabilities	1,045	16,746	17,791
Due to other governmental units	9,538	35,102	44,640
Due to other funds	2,428	2,980	5,408
Deferred revenue	-	59,885	59,885
Bonds and other obligations, due within one year	201,500	444,000	645,500
Total current liabilities	272,133	574,588	846,721
NONCURRENT LIABILITIES			
Bonds and other obligations, less amounts due within one year	844,275	4,919,679	5,763,954
Total liabilities	1,116,408	5,494,267	6,610,675
NET ASSETS			
Invested in capital assets, net of related debt	2,531,310	3,391,631	5,922,941
Restricted for:			
Debt service	-	355,463	355,463
Capital projects	137,540	-	137,540
Unrestricted	1,835,390	1,457,876	3,293,266
Total net assets	\$ 4,504,240	\$ 5,204,970	\$ 9,709,210

The accompanying notes are an integral part of this statement.

Grand Haven Charter Township
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
Proprietary Funds
For the year ended December 31, 2007

	Business-type activities - Enterprise funds		
	Sewer	Water	Total
REVENUES			
Charges for services	\$ 357,629	\$ 1,722,076	\$ 2,079,705
OPERATING EXPENSES			
Administration	46,580	134,680	181,260
Operations	371,364	1,212,367	1,583,731
Depreciation and amortization	143,511	410,182	553,693
Total operating expenses	561,455	1,757,229	2,318,684
Operating loss	(203,826)	(35,153)	(238,979)
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	103,174	87,461	190,635
Connection fees	166,727	73,457	240,184
Property taxes	-	179,915	179,915
Interest expense	(59,232)	(240,378)	(299,610)
Total nonoperating revenue (expenses)	210,669	100,455	311,124
Income before transfers	6,843	65,302	72,145
Transfers out	(26,123)	(67,485)	(93,608)
Change in net assets	(19,280)	(2,183)	(21,463)
Net assets at January 1, 2007	4,523,520	5,207,153	9,730,673
Net assets at December 31, 2007	\$ 4,504,240	\$ 5,204,970	\$ 9,709,210

The accompanying notes are an integral part of this statement.

Grand Haven Charter Township
STATEMENT OF CASH FLOWS
Proprietary Funds
For the year ended December 31, 2007

	Business-type activities - Enterprise funds		
	Sewer	Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 356,790	\$ 1,641,758	\$ 1,998,548
Receipts from interfund services provided	216	10,232	10,448
Payments to suppliers	(396,560)	(1,092,447)	(1,489,007)
Payments to employees	(42,287)	(214,790)	(257,077)
Payment for interfund services used	<u>(46,580)</u>	<u>(134,680)</u>	<u>(181,260)</u>
Net cash provided by (used for) operating activities	(128,421)	210,073	81,652
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers out	(26,123)	(67,485)	(93,608)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Property taxes	-	179,915	179,915
Connection fees	211,491	83,763	295,254
Purchases of capital assets	(78,508)	(35,488)	(113,996)
Principal paid on capital debt	(193,500)	(417,502)	(611,002)
Interest paid on capital debt	<u>(59,232)</u>	<u>(252,778)</u>	<u>(312,010)</u>
Net cash used for capital and related financing activities	(119,749)	(442,090)	(561,839)
CASH FLOW FROM INVESTING ACTIVITIES			
Investment earnings	<u>103,174</u>	<u>87,461</u>	<u>190,635</u>
Net decrease in cash and investments	(171,119)	(212,041)	(383,160)
Cash and investments at January 1, 2007	<u>1,616,699</u>	<u>1,789,916</u>	<u>3,406,615</u>
Cash and investments at December 31, 2007	<u>\$ 1,445,580</u>	<u>\$ 1,577,875</u>	<u>\$ 3,023,455</u>
Reconciliation of cash and investments to the statement of net assets			
Cash and investments	\$ 1,308,040	\$ 1,222,412	\$ 2,530,452
Restricted assets	<u>137,540</u>	<u>355,463</u>	<u>493,003</u>
	<u>\$ 1,445,580</u>	<u>\$ 1,577,875</u>	<u>\$ 3,023,455</u>
Reconciliation of operating loss to net cash provided by (used for) operating activities			
Operating loss	\$ (203,826)	\$ (35,153)	\$ (238,979)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities			
Depreciation and amortization expense	143,511	410,182	553,693
Change in assets and liabilities			
Receivables, net	(623)	(70,086)	(70,709)
Internal balance	(11,213)	(34,702)	(45,915)
Prepaid items	46	41	87
Accounts payable	(56,098)	(61,158)	(117,256)
Accrued liabilities	<u>(218)</u>	<u>949</u>	<u>731</u>
Net cash provided by (used for) operating activities	<u>\$ (128,421)</u>	<u>\$ 210,073</u>	<u>\$ 81,652</u>

The accompanying notes are an integral part of this statement.

Grand Haven Charter Township
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
Fiduciary Funds
December 31, 2007

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>1,912,658</u>
LIABILITIES	
Due to other governmental units	1,870,204
Deposits held for others	<u>42,454</u>
Total liabilities	\$ <u>1,912,658</u>

The accompanying notes are an integral part of this statement.

Grand Haven Charter Township
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Township is a municipal corporation governed by an elected seven-member Board and is administered by a Township Superintendent. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government. The discretely presented component unit has a December 31 fiscal year end.

Blended Component Unit

Building Authority. The Authority serves all the citizens of the Township and is governed by a Board appointed by the Township's Board. The primary purpose of the Authority is to acquire and construct recreational facilities including bike paths. The Authority issues bonds that are approved by the Township Board, and the legal liability for the Authority's debt remains with the Township. The Authority then leases the assets to the Township to finance the repayment of the bonds. The Authority is reported as a debt service fund.

Discretely Presented Component Unit

Downtown Development Authority (DDA). The DDA Board is appointed by the Township Board, but the DDA operates as a separate entity. The DDA's primary purpose is to promote and facilitate economic growth in the downtown district. The DDA Board cannot authorize and issue debt independent from the Township and the DDA budget must be approved by the Township Board. The component unit is presented as a governmental fund type.

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 primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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 requirement 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 the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Grand Haven Charter Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2007

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as 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 when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses 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 60 days of the end of 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 and available only when cash is received by the government.

The Township reports the following major governmental funds:

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

The Fire Fund is used to account for a special tax millage levied by the Township for the operation of the fire department.

The Township reports the following two major proprietary funds:

The Sewer Fund operates the Township's sewage pumping station, collection systems and pays for access to the region's sewage treatment plant.

The Water Fund operates the Township's water distribution system.

Additionally, the Township reports the following fund type:

The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. This fund is used to account for the taxes collected by the Township on the behalf of other entities.

Grand Haven Charter Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2007

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

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

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 are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. 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 Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Township reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Township intends to hold the investment until maturity.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds.

The component units' cash and investments are maintained within the Township's investment pool.

Grand Haven Charter Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2007

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The County advances the Township all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. Taxes levied on December 1 are recorded as receivables and deferred revenue. Taxes are recognized as revenue (and become available for appropriation) in the calendar year following the levy.

The 2006 state taxable value for real/personal property of the Township totaled approximately \$635,889,000 of which approximately \$47,931,000 was captured by the component unit. The ad valorem taxes levied consisted of .9171, 1.4934, .30, .20 and .35 mills for the Township's general operating, fire protection and debt service purposes. These amounts are recognized in the respective General Fund, Fire Fund, Water Fund, Fire Debt Service Fund and Pathway Debt Service Fund with captured amounts shown in the DDA component unit.

Inventories and Prepaid Items

Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Certain cash and investments of the Sewer Fund are held at the Ottawa County Road Commission where their use is restricted to certain construction and debt activities. In addition, monies collected from the water debt service levy that are unspent are shown as restricted because their use is restricted to debt service.

Grand Haven Charter Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
 December 31, 2007

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated or amortized using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Utility systems	40
Land improvements	15
Furniture and equipment	3-20
Vehicles	5-20
Shared improvements	20
Access rights	20

Compensated Absences

Township employees are granted vacation and sick leave in varying amounts based on length of service. Employees must use earned vacation time in the current year but can carry over a maximum of 10 days. Upon termination, employees are paid for unused vacation at their current rates. Sick leave is accumulated at the rate of one day per month of employment. Unused sick leave is accumulated up to 30 days for employees. When unused sick leave exceeds 30 days for employees, one half of the balance in excess of 30 days is paid to the employees. One half of all unused accumulated sick leave is paid to employees who retire. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Grand Haven Charter Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2007

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Long-Term Obligations—Continued

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to November 1, the Township Superintendent submits to the Township Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Prior to January 1, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board. All appropriations lapse at year end.

The appropriated budget is prepared by fund, function and department. The Township Superintendent may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level. The Township Board made several supplemental budgetary appropriations throughout the year.

Grand Haven Charter Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
 December 31, 2007

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY—Continued

Excess of Expenditures Over Appropriations

For the year ended December 31, 2007, actual expenditures exceeded appropriations for road construction and maintenance by \$13,030. These overexpenditures were funded with available fund balance.

NOTE C—DEPOSITS AND INVESTMENTS

As of December 31, 2007, the Township had the following investments:

Investment Type	<u>Fair value</u>	<u>Weighted average maturity (Months)</u>	<u>Moody's</u>	<u>Percent</u>
Money market mutual fund	\$ 2,936,311	1	not rated	34.8 %
Negotiable certificate of deposit	99,759	54	not rated	1.2
External investment pool	5,291,273	1	AAA	62.7
U.S. Agency obligations	<u>106,883</u>	<u>16</u>	AAA	<u>1.3</u>
Total fair value	<u>\$ 8,434,226</u>			<u>100.0 %</u>
Portfolio weighted average maturity		<u>2</u>		

The Township voluntarily invests certain excess funds in an external investment pool (Pool). The Pool is an external investment pool of "qualified" investments for Michigan municipalities. The Pool is not regulated nor registered with the SEC. The fair value of the Township's investments is the same as the fair value of the Pool.

Interest rate risk. The Township's investment policy limits investment maturities of various types of investments to various lengths as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices.

Concentration of credit risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the Township investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The Township's investment policy limits various types of investments to certain percentages of the Township's total investment portfolio as a means of managing its risk.

Grand Haven Charter Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2007

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of December 31, 2007, \$1,199,392 of the Township's bank balance of \$1,507,797 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments. The Township does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign currency risk. The Township is not authorized to invest in investments which have this type of risk.

Restricted Assets

Restrictions are placed on assets by bond ordinance and Township Board action. At December 31, 2007, restricted cash and investments in the enterprise funds are restricted as follows:

Business-type activities

Sewer Fund			
Construction	\$	137,540	
Water Fund			
Debt service		<u>355,463</u>	
	\$	<u><u>493,003</u></u>	

NOTE D—CAPITAL ASSETS

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

	January 1, 2007	Additions	Deductions	December 31, 2007
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 745,655	\$ -	\$ -	\$ 745,655
 Capital assets, being depreciated:				
Land improvements	3,394,738	65,754	-	3,460,492
Buildings and improvements	4,259,400	-	-	4,259,400
Furniture and equipment	377,362	10,463	-	387,825
Vehicles	1,285,967	73,278	107,000	1,252,245
Shared improvements	<u>510,000</u>	<u>-</u>	<u>-</u>	<u>510,000</u>
Total capital assets, being depreciated	9,827,467	149,495	107,000	9,869,962

Grand Haven Charter Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2007

NOTE D—CAPITAL ASSETS—Continued

	Balance January 1, 2007	Additions	Deductions	Balance December 31, 2007
Governmental activities:—Continued				
Less accumulated depreciation:				
Land improvements	\$ 2,293,999	\$ 144,917	\$ -	\$ 2,438,916
Buildings and improvements	916,190	105,235	-	1,021,425
Furniture and equipment	183,624	38,955	-	222,579
Vehicles	1,033,696	70,053	107,000	996,749
Shared improvements	255,000	25,500	-	280,500
Total accumulated depreciation	<u>4,682,509</u>	<u>384,660</u>	<u>107,000</u>	<u>4,960,169</u>
Total capital assets being depreciated, net	<u>5,144,958</u>	<u>(235,165)</u>	<u>-</u>	<u>4,909,793</u>
Capital assets, net	<u>\$ 5,890,613</u>	<u>\$ (235,165)</u>	<u>\$ -</u>	<u>\$ 5,655,448</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 47,399	\$ 8,405	\$ -	\$ 55,804
Construction in progress	<u>262,438</u>	<u>20,380</u>	<u>60,539</u>	<u>222,279</u>
Total capital assets not being depreciated	309,837	28,785	60,539	278,083
Capital assets, being depreciated:				
Utility systems	17,863,932	34,067	-	17,897,999
Machinery and equipment	<u>222,643</u>	<u>111,683</u>	<u>-</u>	<u>334,326</u>
Total capital assets, being depreciated	18,086,575	145,750	-	18,232,325
Less accumulated depreciation:				
Utility systems	6,525,967	446,975	-	6,972,942
Machinery and equipment	<u>146,529</u>	<u>24,567</u>	<u>-</u>	<u>171,096</u>
Total accumulated depreciation	<u>6,672,496</u>	<u>471,542</u>	<u>-</u>	<u>7,144,038</u>
Total capital assets being depreciated, net	<u>11,414,079</u>	<u>(325,792)</u>	<u>-</u>	<u>11,088,287</u>
Capital assets, net	<u>\$ 11,723,916</u>	<u>\$ (297,007)</u>	<u>\$ 60,539</u>	<u>\$ 11,366,370</u>

Grand Haven Charter Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2007

NOTE D—CAPITAL ASSETS—Continued

Depreciation

Depreciation expense has been charged to functions as follows:

Governmental activities:

General government	\$ 60,907
Public safety	80,504
Public works	76,234
Culture and recreation	<u>167,015</u>
	<u>\$ 384,660</u>

Business-type activities:

Sewer	\$ 138,449
Water	<u>333,093</u>
	<u>\$ 471,542</u>

NOTE E—ACCESS RIGHTS

Access rights activity for the year ended December 31, 2007 was as follows:

	Balance January 1, 2007	<u>Additions</u>	<u>Deductions</u>	Balance December 31, 2007
Business-type activities				
Access rights	\$ 1,296,128	\$ -	\$ -	\$ 1,296,128
Less accumulated amortization	<u>356,435</u>	<u>64,807</u>	<u>-</u>	<u>421,242</u>
Access rights, net	<u>\$ 939,693</u>	<u>\$ (64,807)</u>	<u>\$ -</u>	<u>\$ 874,886</u>

Amortization

Amortization expense has been charged to water.

Grand Haven Charter Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2007

NOTE F—BOND ISSUANCE COSTS

Bond issuance cost activity for the year ended December 31, 2007 was as follows:

	<u>Balance</u> January 1, 2007	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> December 31, 2007
Business-type activities				
Bond issuance costs	\$ 259,648	\$ -	\$ -	\$ 259,648
Less accumulated amortization	<u>151,165</u>	<u>17,344</u>	<u>-</u>	<u>168,509</u>
Bond issuance costs, net	<u>\$ 108,483</u>	<u>\$ (17,344)</u>	<u>\$ -</u>	<u>\$ 91,139</u>

Amortization

Amortization expense has been charged to functions as follows:

Sewer	\$ 5,062
Water	<u>12,282</u>
	<u>\$ 17,344</u>

NOTE G—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water Fund	\$ 2,980
General Fund	Sewer Fund	2,428
General Fund	Fire Fund	5,213
General Fund	Other governmental funds	<u>324</u>
		<u>\$ 10,945</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Advances to/from other funds:

The Cemetery Fund advanced the General Fund \$314,500 which represents transfers to the Cemetery Fund from the General Fund. These advances will be funded with cash as needed by the Cemetery Fund.

Grand Haven Charter Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
 December 31, 2007

NOTE G—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS—Continued

Due from/to primary government and component units:

The DDA owes the General Fund \$7,563 for operational purposes.

Interfund transfers:

	<u>Transfers in:</u>	<u>Total</u>	<u>Purpose</u>
	<u>Other governmental funds</u>		
Transfers out:			
General Fund	\$ 124,086	\$ 124,086	Debt service
Sewer Fund	26,123	26,123	Debt service
Water Fund	<u>67,485</u>	<u>67,485</u>	Debt service
	<u>\$ 217,694</u>	<u>\$ 217,694</u>	

NOTE H—DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenues 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 revenue reported in the governmental funds were as follows:

	<u>Township</u>		<u>Downtown Development Authority</u>	
	<u>Unavailable</u>	<u>Unearned</u>	<u>Unavailable</u>	<u>Unearned</u>
Property taxes	\$ 1,252,363	\$ 1,074,472	\$ 198,616	\$ 255,397
Prepaid services (Cemetery Fund)	<u>-</u>	<u>391,728</u>	<u>-</u>	<u>-</u>
Total deferred revenue for governmental funds	<u>\$ 1,252,363</u>	<u>\$ 1,466,200</u>	<u>\$ 198,616</u>	<u>\$ 255,397</u>

Grand Haven Charter Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2007

NOTE I—LONG-TERM DEBT

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the Township for the year ended December 31, 2007.

	Balance January 1, 2007	Additions	Reductions	Balance December 31, 2007	Due within one year
Governmental activities:					
General obligation bonds	\$ 3,610,000	\$ -	\$ 425,500	\$ 3,184,500	\$ 445,500
Compensated absences	<u>78,364</u>	<u>220,846</u>	<u>196,596</u>	<u>102,614</u>	<u>51,307</u>
Governmental activity long-term liabilities	<u>\$ 3,688,364</u>	<u>\$ 220,846</u>	<u>\$ 622,096</u>	<u>\$ 3,287,114</u>	<u>\$ 496,807</u>
Business-type activities:					
Revenue bonds	<u>\$ 7,020,456</u>	<u>\$ -</u>	<u>\$ 611,002</u>	<u>\$ 6,409,454</u>	<u>\$ 645,500</u>
Governmental activities:					
General obligation bonds:					
\$1,230,000 General Obligation Bonds of 1994 due in annual installments of \$105,000 to \$110,000 through February 2009; interest at 5%				\$ 215,000	
\$510,000 County Drain Assessment of 1997 due in annual installments of \$25,500 through June 2016; plus interest at 6.5%				229,500	
\$1,730,000 General Obligation Bonds of 1999 due in annual installments of \$205,000 to \$215,000 through March 2009; interest at rates varying from 4.8% to 4.85%				420,000	
\$2,850,000 Grand Haven Charter Township Building Bonds of 2001 due in annual installments of \$110,000 to \$240,000 through May 2021; interest at 4.75%				<u>2,320,000</u>	
				3,184,500	
Compensated absences				<u>102,614</u>	
				<u>\$ 3,287,114</u>	

Grand Haven Charter Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2007

NOTE I—LONG-TERM DEBT—Continued

Summary of Changes in Long-Term Liabilities—Continued

Business-type activities:

Revenue bonds:

\$1,100,000 Ottawa County Wastewater Collection Bonds of 1996 due in installments of \$55,000 to \$95,000 through June 2016; interest at rates varying from 5.5% to 5.75%	\$ 670,000
\$875,000 Sewer Special Assessment Refunding Bonds of 1998 due in annual installments of \$80,000 to \$85,000 through June 2010; interest at rates varying from 4.5% to 4.7%	250,000
\$239,850 Ottawa County Refunding Wastewater Collection Bonds of 2005 due in annual installments of \$61,425 to \$64,350 through July 2009; interest at 3.5%	125,775
\$3,110,000 Water Transmission Bonds of 1999 \$130,000 due July 2008; interest at 5.15%	130,000
\$1,296,128 Ottawa County Water Supply Bonds of 2001 due in annual installments of \$45,558 to \$136,674 through May 2021; interest at rates varying from 4.625% to 5.2%	1,159,454
\$4,670,000 Ottawa County Refunding Water Supply Bonds of 2005 due in annual installments of \$268,575 to \$410,000 through July 2019; interest at rates varying from 3.5% to 4.375%	<u>4,074,225</u>
	<u><u>\$ 6,409,454</u></u>

Grand Haven Charter Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
 December 31, 2007

NOTE I—LONG-TERM DEBT—Continued

Summary of Changes in Long-Term Liabilities—Continued

For governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

The revenue bonds are backed by the full faith and credit of the Township.

The Ottawa County Water Supply Bonds of 2001 represent agreements with Ottawa County relating to the construction of water supply facilities. To construct these facilities, the County issued bonds which local municipalities are obligated to repay. The Township has recorded the liability for its portion of the County bonds which are to be repaid by the access rights fee. Access rights are also recorded and are amortized over 20 years. The contractual obligation is secured by the full faith and credit of the Township. Current debt service requirements are funded by water revenues.

The Township was in compliance in all material respects with all the revenue bond ordinances at December 31, 2007.

Annual debt service requirements to maturity for debt outstanding as of December 31, 2007 follows:

Year ending December 31,	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2008	\$ 445,500	\$ 146,000	\$ 645,500	\$ 275,500
2009	465,500	123,500	605,000	248,000
2010	150,500	108,000	514,500	224,000
2011	155,500	100,500	464,000	204,500
2012	165,500	92,500	479,000	184,000
2013-2017	927,000	327,000	2,645,500	584,000
2018-2021	875,000	86,327	1,055,954	90,522
	<u>\$ 3,184,500</u>	<u>\$ 983,827</u>	<u>\$ 6,409,454</u>	<u>\$ 1,810,522</u>

NOTE J—OTHER INFORMATION

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township manages its liability and property risks as a member of the Michigan Participating Plan (MPP), a public entity risk pool providing liability and property coverage to its participating members. The Township pays an annual premium to MPP for its insurance coverage. The MPP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Grand Haven Charter Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2007

NOTE J—OTHER INFORMATION—Continued

Risk Management—Continued

The Township manages its workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Self-Insurance Fund (MMWCSIF), a public entity risk pool providing workers' compensation coverage to its participating members. The Township pays an annual premium to MMWCSIF for its workers' compensation coverage. The MMWCSIF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Township carries commercial insurance for employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

The Township is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Township's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Township.

Post-Retirement Health Care

The Township has agreed to provide post-retirement health care to certain employees after they retire. Employees with at least 15 years of service after reaching the age of 60 and covered by the plan as an active employee are eligible to receive post-retirement health care. Employer and participant obligations to contribute are determined by the employee's year of service.

As of year end, there were two retired employees receiving benefits. The Township finances the Plan on a pay-as-you-go basis. For the year ended December 31, 2007, the Township's post-retirement health care cost under the Plan was approximately \$7,900.

Commitments

The Township is a plaintiff in an ongoing lawsuit. Legal fees for the entire trial have been estimated to be \$250,000 to \$300,000. The Township will be responsible for approximately 33% of these fees.

Joint Ventures

The Township is a member of the Grand Haven - Spring Lake Sewer Authority (Authority). The Township appoints one member to the joint venture's governing board, which then approves the annual budget. In the current year, the Township paid \$121,141 to the Authority for sewage treatment. The purpose of the Grand Haven - Spring Lake Sewer Authority is to acquire, own, improve, enlarge, extend and operate a sewage disposal system. The Authority is governed by a Board of Trustees containing seven members. The participating communities (Cities of Grand Haven and Ferrysburg, Townships of Spring Lake and Grand Haven and the Village of Spring Lake) pay a set rate to the Authority to process waste. This rate includes amounts to finance the Authority's debt. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements can be obtained at Grand Haven City Hall (519 Washington Street, Grand Haven, MI 49417).

Grand Haven Charter Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2007

NOTE J—OTHER INFORMATION—Continued

Joint Ventures—Continued

The Township is also a member of the Northwest Ottawa Water Treatment Plant. The Township appoints one member to the joint venture's governing board, which then approves the annual budget. In the current year, the Township paid \$651,652 to the plant to purchase water. The purpose of the Northwest Ottawa Water Treatment Plant is to acquire, construct, finance, operate and maintain a water production facility. The plant is governed by an administrative committee composed of one representative from each of the participating communities (Cities of Grand Haven and Ferrysburg, Townships of Grand Haven and Spring Lake and the Village of Spring Lake). These participating communities pay for water at a rate that is estimated to cover operation, maintenance, replacement and debt service. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating government in the near future. Complete financial statements can be obtained at Grand Haven City Hall (519 Washington Street, Grand Haven, MI 49417).

NOTE K—PENSION PLANS

Defined Contribution Plan

The Township maintains a defined contribution retirement plan administered by Manulife Financial USA that covers substantially all full-time employees. Participants contribute 5 percent of their salaries to the plan and the Township contributes 10 percent of each eligible employee's salary to the plan. Employees are also able to make additional voluntary contributions. Plan provision and contribution requirements are established and may be amended by the Board. The Township's contribution for 2007 was \$95,876 and the employees' contribution was \$47,938.

Deferred Compensation Plan

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time Township employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

The Plan has created a trust for the exclusive benefit of the Plan's participants and beneficiaries under rules provided in Internal Revenue Code Section 401(f).

NOTE L—ECONOMIC DEPENDENCY

State of Michigan shared revenues represent 32 percent of General Fund revenues.

NOTE M—SUBSEQUENT EVENTS

In March 2008, the Township awarded a construction contract for the replacement of the Township's main lift station for \$716,625. To pay for this contract and associated engineering costs, in April 2008 the Township issued the \$985,000 Ottawa County Wastewater System Bonds due in annual installments of \$40,000 to \$75,000 through July 2028 at interest rates varying from 4.25% to 5.1%.

In May 2008, the Township approved a contract to purchase a new fire tanker/pumper for \$219,849.

REQUIRED SUPPLEMENTARY INFORMATION

Grand Haven Charter Township
 Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
 General Fund
 For the year ended December 31, 2007

REVENUES	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
Property taxes	\$ 832,300	\$ 801,085	\$ 863,690	\$ 62,605
Licenses and permits	362,130	312,980	320,363	7,383
Intergovernmental revenues - State	936,600	900,385	921,127	20,742
Charges for services	69,570	71,735	76,700	4,965
Fines and forfeitures	28,000	32,150	34,097	1,947
Investment earnings	120,000	160,825	190,571	29,746
Other	400,275	439,345	435,933	(3,412)
Total revenues	2,748,875	2,718,505	2,842,481	123,976
EXPENDITURES				
Current				
General government				
Township Board	235,790	208,580	199,871	8,709
Supervisor	25,205	23,875	22,330	1,545
Elections	24,460	11,010	7,109	3,901
Finance	218,060	214,525	211,077	3,448
Assessor	212,530	189,775	180,271	9,504
Clerk	24,200	23,510	19,251	4,259
Board of appeals	3,680	5,820	4,954	866
Board of review	1,680	1,680	1,166	514
Administrative	315,350	305,245	304,580	665
Treasurer	20,155	19,765	17,903	1,862
Building and grounds	219,015	184,065	176,801	7,264
Cemetery	108,655	124,835	120,986	3,849
Public works				
Road construction and maintenance	184,000	278,100	291,130	(13,030)
Street lighting	79,500	92,500	91,512	988
Waste collection	10,500	17,175	16,546	629
Drains	8,690	-	-	-
Community and economic development				
Building and zoning	371,550	369,950	366,713	3,237
Planning commission	60,960	33,670	30,800	2,870
Culture and recreation				
Parks and recreation	220,945	258,655	248,441	10,214
Bike paths	69,055	60,815	58,692	2,123
Debt service				
Principal	25,500	25,500	25,500	-
Interest and fees	16,575	16,575	16,575	-
Capital outlay	160,950	154,704	147,557	7,147
Total expenditures	2,617,005	2,620,329	2,559,765	60,564
Excess of revenues over expenditures	131,870	98,176	282,716	184,540
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	15,000	15,000	-	(15,000)
Transfers out	(142,235)	(124,235)	(124,086)	149
Total other financing sources (uses)	(127,235)	(109,235)	(124,086)	(14,851)
Net change in fund balance	\$ 4,635	\$ (11,059)	158,630	\$ 169,689
Fund balance at January 1, 2007			1,933,467	
Fund balance at December 31, 2007			\$ 2,092,097	

Grand Haven Charter Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
Fire Fund
For the year ended December 31, 2007

REVENUES	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
Property taxes	\$ 896,300	\$ 866,860	\$ 892,762	\$ 25,902
Intergovernmental revenues - Federal	136,800	-	-	-
Charges for services	5,700	3,740	3,817	77
Investment earnings	18,000	27,800	31,250	3,450
Other	3,750	5,415	5,421	6
Total revenues	1,060,550	903,815	933,250	29,435
EXPENDITURES				
Current				
Public safety	891,950	883,795	860,611	23,184
Capital outlay	166,200	10,000	1,938	8,062
Total expenditures	1,058,150	893,795	862,549	31,246
Excess of revenues over expenditures	2,400	10,020	70,701	60,681
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	10,000	39,050	39,055	5
Net change in fund balance	\$ 12,400	\$ 49,070	109,756	\$ 60,686
Fund balance at January 1, 2007			247,116	
Fund balance at December 31, 2007			\$ 356,872	

OTHER SUPPLEMENTAL INFORMATION

**Grand Haven Charter Township
COMBINING BALANCE SHEET**

Other Governmental Funds
December 31, 2007

	Total other governmental funds	Special Revenue		Debt Service		
		Cemetery	Police Services	Pathway Debt Service	Fire Debt Service	Township Building Debt Service
ASSETS						
Cash and investments	\$ 756,036	\$ 99,488	\$ 184,360	\$ 297,671	\$ 174,233	\$ 284
Receivables						
Accounts	659	659	-	-	-	-
Property taxes	362,106	-	170,240	133,292	58,574	-
Prepaid items	3,716	-	3,716	-	-	-
Advances to other funds	314,500	314,500	-	-	-	-
Total assets	<u>\$ 1,437,017</u>	<u>\$ 414,647</u>	<u>\$ 358,316</u>	<u>\$ 430,963</u>	<u>\$ 232,807</u>	<u>\$ 284</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 91	\$ -	\$ 91	\$ -	\$ -	\$ -
Due to other governmental units	22,618	-	22,618	-	-	-
Due to other funds	324	-	324	-	-	-
Deferred revenue	1,046,542	391,728	319,849	233,854	101,111	-
Total liabilities	1,069,575	391,728	342,882	233,854	101,111	-
Fund balances						
Reserved for:						
Prepaid items	3,716	-	3,716	-	-	-
Debt service	329,089	-	-	197,109	131,696	284
Unreserved	34,637	22,919	11,718	-	-	-
Total fund balances	<u>367,442</u>	<u>22,919</u>	<u>15,434</u>	<u>197,109</u>	<u>131,696</u>	<u>284</u>
Total liabilities and fund balances	<u>\$ 1,437,017</u>	<u>\$ 414,647</u>	<u>\$ 358,316</u>	<u>\$ 430,963</u>	<u>\$ 232,807</u>	<u>\$ 284</u>

Grand Haven Charter Township
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Other Governmental Funds
 For the year ended December 31, 2007

	Total other governmental funds	Special Revenue		Debt Service		
		Cemetery	Police Services	Pathway Debt Service	Fire Debt Service	Township Building Debt Service
REVENUES						
Property taxes	\$ 626,012	\$ -	\$ 301,628	\$ 204,902	\$ 119,482	\$ -
Charges for services	1,972	1,972	-	-	-	-
Fines and forfeitures	21,316	-	21,316	-	-	-
Investment earnings	29,316	5,096	8,129	10,014	5,892	185
Other	3,000	-	3,000	-	-	-
Total revenues	681,616	7,068	334,073	214,916	125,374	185
EXPENDITURES						
Current						
General government	5,620	5,620	-	-	-	-
Public safety	318,639	-	318,639	-	-	-
Debt service						
Principal	400,000	-	-	195,000	100,000	105,000
Interest and fees	151,667	-	-	25,048	13,675	112,944
Total expenditures	875,926	5,620	318,639	220,048	113,675	217,944
Excess of revenues over (under) expenditures	(194,310)	1,448	15,434	(5,132)	11,699	(217,759)
OTHER FINANCING SOURCES						
Transfers in	217,694	-	-	-	-	217,694
Net change in fund balances	23,384	1,448	15,434	(5,132)	11,699	(65)
Fund balances at January 1, 2007	344,058	21,471	-	202,241	119,997	349
Fund balances at December 31, 2007	<u>\$ 367,442</u>	<u>\$ 22,919</u>	<u>\$ 15,434</u>	<u>\$ 197,109</u>	<u>\$ 131,696</u>	<u>\$ 284</u>

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

June 13, 2008

Township Board
Grand Haven Charter Township
Grand Haven, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Grand Haven Charter Township 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 Grand Haven Charter Township'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 Grand Haven Charter Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Grand Haven Charter Township's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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

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

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



MATERIAL WEAKNESSES

Recommendation 1: Cut-off procedures for the accounts payable function should be improved to ensure inclusion of all expenditures in the proper period.

During our audit, we noted several invoices for services performed prior to year end that were not recorded as accounts payable.

The improvement of cut-off procedures for accounts payable would ensure that expenditures are recorded in the proper period.

Recommendation 2: The Current Tax Fund should be reconciled and tax collections should be paid out to the Township's other funds on a regular basis.

During our audit, we noted that significant adjustments needed to be made in the Current Tax Fund to determine the proper allocation of property taxes to the Township's other funds and that collections were not regularly distributed to those funds.

The reconciliation and regular distribution of tax collections in the Current Tax Fund would ensure the proper recording of property taxes.

Recommendation 3: Controls surrounding the creation of journal entries should be improved.

During our audit, we noted several journal entries that were not supported with proper documentation and several journal entries required reversals, corrections and reposting.

The maintenance of a master file with supporting documentation and review and approval of all journal entries by an appropriate individual would ensure that all journal entries are proper.