

**District Court Funds of District No. 5 I
Charter Township of Waterford
Oakland County, Michigan**

**Financial Report
with Supplemental Information
December 31, 2007**

District Court Funds of District No. 5 I Charter Township of Waterford

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Independent Auditor's Report

To the District Judges of the 51st District
Charter Township of Waterford
Oakland County, Michigan

We have audited the statement of net assets of the District Court Funds of District No. 51, Charter Township of Waterford as of December 31, 2007. This financial statement is the responsibility of the District Court's management. Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 opinion.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of the District Court Funds of District No. 51, Charter Township of Waterford as of December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was conducted for the purpose of forming an opinion on the District Court Funds of District No. 51, Charter Township of Waterford's basic financial statement. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statement. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

Plante & Moran, PLLC

May 20, 2008

District Court Funds of District No. 5 I

Charter Township of Waterford

Management's Discussion and Analysis

Our discussion and analysis of the District Court Funds of District No. 5 I, Charter Township of Waterford's financial performance provides an overview of the District Court's financial activities for the fiscal year ended December 31, 2007. Please read it in conjunction with the District Court's financial statement.

Using this Financial Report

This financial report represents the activities of the funds of the District Court during the year. The funds of the District Court are Agency Funds. Therefore, the activities are limited to collection of amounts that are subsequently returned or paid to third parties. The funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. A detailed schedule of collections and disbursements is shown in the other supplemental information portion of the financial report.

The District Court as a Whole

The following table shows, in a condensed format, the assets and liabilities as of the current date and compared to the prior year:

	<u>2007</u>	<u>2006</u>
Assets - Cash and cash equivalents	<u>\$ 228,006</u>	<u>\$ 243,888</u>
Liabilities		
Returnable bonds	\$ 55,732	\$ 80,771
Due to:		
State Treasurer	46,909	42,222
Charter Township of Waterford	108,023	102,065
Other governmental units	16,442	17,600
Secretary of State	<u>900</u>	<u>1,230</u>
Total liabilities	<u>\$ 228,006</u>	<u>\$ 243,888</u>

The District Court's combined assets and liabilities decreased 7 percent from a year ago - decreasing from \$243,888 to \$228,006. This decrease is due to a decline in case filings through December 2007 compared to December 2006. Since case filings decreased, cash was lower and the amount that had not yet been remitted to the other governmental units decreased as well.

District Court Funds of District No. 5 I Charter Township of Waterford

Management's Discussion and Analysis (Continued)

Contacting the District Court's Management

This financial report is intended to provide our citizens and customers with a general overview of the District Court's activities and to show the District Court's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the District Court directly.

**District Court Funds of District No. 5 I
Charter Township of Waterford**

**Statement of Net Assets
Fiduciary Funds
December 31, 2007**

	Agency Funds		
	Depository Account	Bond Account	Total
Assets - Cash and cash equivalents (Note 2)	<u>\$ 172,274</u>	<u>\$ 55,732</u>	<u>\$ 228,006</u>
Liabilities			
Returnable bonds	\$ -	\$ 55,732	\$ 55,732
Due to:			
State Treasurer	46,909	-	46,909
Charter Township of Waterford	108,023	-	108,023
Other governmental units	16,442	-	16,442
Secretary of State	900	-	900
Total liabilities	<u>\$ 172,274</u>	<u>\$ 55,732</u>	<u>\$ 228,006</u>

District Court Funds of District No. 51 Charter Township of Waterford

Notes to Statement of Net Assets December 31, 2007

Note 1 - Significant Accounting Policies

The accounting policies of District Court Funds of District No. 51, Charter Township of Waterford, Michigan (the "District Court") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The District Court is governed by two elected judges. There are no component units.

The following is a summary of the significant accounting policies used by the District Court Funds of District No. 51:

The funds of the District Court are Agency Funds. The financial activities of the funds are limited to collection of amounts that are subsequently returned or paid to third parties. The funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The District Court is responsible for traffic and moving violations, certain civil matters, and misdemeanors within the limits of the Charter Township of Waterford.

Note 2 - Cash and Cash Equivalents

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

The District Court has designated one bank for the deposit of its funds. The investment policy adopted by the District Court in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above.

District Court Funds of District No. 5 I Charter Township of Waterford

Notes to Statement of Net Assets December 31, 2007

Note 2 - Cash and Cash Equivalents (Continued)

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District Court's deposits may not be returned to it. The District Court does not have a deposit policy for custodial credit risk. At year end, the District Court had \$114,809 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The District Court believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the District Court evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 3 - Court Operations

The costs relating to the operation of the District Court (including risk management) are a budgeted item of the Charter Township of Waterford, Michigan's General Fund and, accordingly, such costs are paid by the General Fund.

The District Court is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The District Court has purchased commercial insurance for medical benefit claims and participates with the Charter Township of Waterford in the Michigan Municipal Risk Management Authority (the "Authority") risk pool for claims relating to property loss, torts, and errors and omissions; the District Court participates in the Charter Township of Waterford's self-insurance program for workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits and as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the insured.

District Court Funds of District No. 5 I Charter Township of Waterford

**Notes to Statement of Net Assets
December 31, 2007**

Note 3 - Court Operations (Continued)

The Charter Township of Waterford estimates the liability for general liability and workers' compensation claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. The District Court shares this risk with the Charter Township of Waterford, which has recorded this estimated liability for the entire program. Any liability allocable to the District Court is not considered to be significant.

Other Supplemental Information

**District Court Funds of District No. 5 I
Charter Township of Waterford**

**Other Supplemental Information
Schedule of Cash Receipts and Disbursements
Year Ended December 31, 2007**

	Depository Account	Bond Account
	<u> </u>	<u> </u>
Cash and Cash Equivalents - January 1, 2007	\$ 163,117	\$ 80,771
Receipts		
Fines, fees, and court costs	2,092,727	-
Programs	36,078	-
Probation costs	155,585	-
Restitution	20,812	-
Bonds posted	-	210,640
Civil trust	-	29,255
Interest income	-	1,678
	<u> </u>	<u> </u>
Total receipts	2,305,202	241,573
Disbursements		
Transfers to Charter Township of Waterford	1,616,466	-
Penal fines	9,670	-
State Treasurer	631,189	-
Restitution	20,615	-
FAC	18,105	-
Net bonds returned	-	238,907
Civil trust	-	27,705
	<u> </u>	<u> </u>
Total disbursements	2,296,045	266,612
Cash and Cash Equivalents - December 31, 2007	<u>\$ 172,274</u>	<u>\$ 55,732</u>

51st District Court
Charter Township of Waterford, Michigan

Report to the Honorable Judge Richard D. Kuhn
December 31, 2007

May 20, 2008

To the Honorable Judge Richard D. Kuhn
51st District Court

We have recently completed our audit of the basic financial statements of the 51st District Court, Charter Township of Waterford, Michigan (the "Court") for the year ended December 31, 2007. In addition to our audit report, we are providing the following letter of increased audit communications, required audit communication, summary of unrecorded possible adjustments, recommendations, and informational comments which impact the Court:

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We are grateful for the opportunity to be of service to the Court. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Very truly yours,

Plante & Moran, PLLC

Joseph C. Heffernan

Joseph C. Heffernan

Pamela L. Hill

Pamela L. Hill

Results of the Audit

We have audited the financial statements of the 51st District Court for the year ended December 31, 2007 and have issued our report thereon dated May 20, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 23, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the 51st District Court. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on May 12, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the 51st District Court are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007.

We noted no transactions entered into by the District Court during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. During the course of our engagement, we did not identify any corrected or uncorrected misstatements.

Disagreements with Management

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

Management's Representations

We have requested certain representations from management that are included in the management representation letter dated May 20, 2008.

Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

In the normal course of our professional association with the Court, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Court, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Court's auditors.

This information is intended solely for the use of those charged with governance and management of the 51st District Court and is not intended to be and should not be used by anyone other than these specified parties.

Other Recommendations

As a result of our audit, we have the following comment and recommendation for your review and consideration. While this item is relatively minor in nature, it may assist you in further improving your internal controls:

- It was noted that the Court does not reconcile the amounts in the depository account with the amounts owed to the various governmental units. At December 31, 2007, the balances were off by approximately \$14,000. We recommend that this reconciliation be prepared each month in conjunction with the transmittals as an added internal control over cash collections and reporting.

We would like to thank the Court staff again this year for the cooperation and assistance they provided during the audit. If you have any questions or would like to discuss this item further, please contact us at your convenience.