

Auditing Procedures Report

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

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

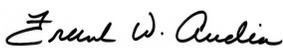
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

Michigan 34th District Court

**Financial Report
with Supplemental Information
June 30, 2007**

Michigan 34th District Court

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Independent Auditor's Report

To the Judges of the State of Michigan
34th Judicial District Court

We have audited the accompanying financial statements of the governmental activities, the General Fund, and the fiduciary funds information of the Michigan 34th District Court, which collectively comprise the Court's basic financial statements as of and for the year ended June 30, 2007. These financial statements are the responsibility of the Michigan 34th District Court'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 General Fund, and the fiduciary funds information of the Michigan 34th District Court and the respective changes in financial position thereof for the year ended June 30, 2007, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not required parts of the basic financial statements but are 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.

To the Judges of the State of Michigan
34th Judicial District Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Court's basic financial statements. 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 statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

November 27, 2007

Michigan 34th District Court

Management's Discussion and Analysis

Our discussion and analysis of the Michigan 34th District Court's (the "Court") financial performance provides an overview of the Court's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the Court's financial statements.

The Court is a joint venture of the Cities of Romulus and Belleville and the Townships of Sumpter, Van Buren, and Huron. Its financial activities are comprised of two major functions - the operation of the Court and its trust and agency transactions. The operation of the Court is reported in its General Fund. The trust and agency activities of the Court are reported in fiduciary funds.

Using this Annual Report

This annual report consists of four parts - management's discussion and analysis (this section), the basic financial statements, required supplemental information, and other supplemental information. The basic financial statements include information that presents two different views of the Court:

- The first column of the financial statements includes information on the Court's General Fund under the modified accrual method. These fund financial statements focus on current financial resources and provide a more detailed view about the accountability of the Court's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method.
- The government-wide financial statement column provides both long-term and short-term information about the Court's overall financial status. The statement of net assets and the statement of activities provide information about the activities of the Court as a whole and present a longer-term view of the Court's finances. These statements tell how these services were financed in the short term, as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by sections of required and other supplemental information that further explain and support the information in the financial statements.

Michigan 34th District Court

Management's Discussion and Analysis (Continued)

Condensed Financial Information

The table below depicts key financial information for the governmental activities in a condensed format as of and for the year ended June 30, 2007 and in comparison to the prior year:

	<u>2007</u>	<u>2006</u>
Assets	\$ 278,532	\$ 277,611
Liabilities	\$ 278,532	\$ 277,611
Revenue		
Operating transfer from the City of Romulus	\$ 2,918,970	\$ 2,787,345
Other sources	328,577	268,188
Total resources available	3,247,547	3,055,533
Expenditures - Court services	3,260,836	3,048,324
Excess of Revenue (Under) Over Expenditures/ Change in Net Assets	(13,289)	7,209
Transfer from (to) the City of Romulus	13,289	(7,209)
Net Assets	\$ -	\$ -

The Court as a Whole

- The Court's primary source of revenues is contributions from the City of Romulus, which represents 90 percent of total revenue.
- Salaries and fringe benefits continue to be a significant expense of the Court, representing 81 percent of the Court's total expenditures.

The Court's Fund

Our analysis of the Court's major fund is included on pages 6 and 7 in the first column of the respective statements. The fund column provides detailed information about the most significant fund, not the Court as a whole. The Court's major fund consists solely of the General Fund.

The General Fund budget is prepared by court administration and approved by the council of the City of Romulus. Substantially all of the expenditures of the Court are paid for by contributions from the City.

Michigan 34th District Court

Management's Discussion and Analysis (Continued)

Court Budgetary Highlights

Overall, case filing numbers increased from the previous fiscal year and were handled without hiring additional staff due to efficient management. The Court's expenditures were slightly under budget in 2006-2007. In addition, the Court more than doubled the annual amount paid to the funding unit over the prior year.

Significant changes made by the Court included upgrading the court recorders' system, upgrades to inhouse video surveillance for security, the addition of computers and printers to all courtrooms for real time disposition, and the installation of new office modulars and carpeting.

Although the Court had a total of six employees off on injury and medical leaves during the year at different times, the Court managed to cover the additional workload with current staff. The Court also maintained an increased work program and instituted a summer juvenile work program.

Contacting the Court's Management

This financial report is intended solely to provide our funding units, citizens, and taxpayers a general overview of the Court's finances and to show the 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 Court's administration.

Michigan 34th District Court

Governmental Fund Balance Sheet/Statement of Net Assets June 30, 2007

	General Fund - Modified Accrual Basis	GASB No. 34 Adjustments (Note 2)	Statement of Net Assets - Full Accrual Basis
Assets			
Cash and cash equivalents (Note 3)	\$ 12,740	\$ -	\$ 12,740
Due from Agency Funds	65,440	-	65,440
Prepaid expenses and other assets	58,398	-	58,398
Due from other local governmental units	-	141,954	141,954
Total assets	<u>\$ 136,578</u>	<u>\$ 141,954</u>	<u>\$ 278,532</u>
Liabilities			
Accounts payable	\$ 38,874	\$ -	\$ 38,874
Due to other local governmental units	48,154	-	48,154
Salary withholdings, accrued payroll, and payroll taxes payable	49,550	-	49,550
Compensated absences due within one year	-	131,045	131,045
Compensated absences due in more than one year	-	10,909	10,909
Total liabilities	<u>\$ 136,578</u>	<u>\$ 141,954</u>	<u>\$ 278,532</u>

Michigan 34th District Court

Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2007

	General Fund - Modified Accrual Basis	GASB No. 34 Adjustments (Note 2)	Statement of Activities - Full Accrual Basis
Revenue			
Operating transfer from the City of Romulus	\$ 2,915,000	\$ 3,970	\$ 2,918,970
Other revenue	<u>328,577</u>	<u>-</u>	<u>328,577</u>
Total revenue	3,243,577	3,970	3,247,547
Expenditures			
Salaries and wages	1,853,177	-	1,853,177
Fringe benefits	795,499	3,970	799,469
Attorney fees	62,502	-	62,502
Professional fees and contractual services	69,671	-	69,671
Education and training	8,646	-	8,646
Dues, fees, and subscriptions	66,557	-	66,557
Building insurance, maintenance, and utilities	52,593	-	52,593
Equipment lease and maintenance	48,567	-	48,567
Furniture and equipment	134,125	-	134,125
Jury and witness fees	4,233	-	4,233
Reference material	8,291	-	8,291
Work program	10,066	-	10,066
Printing	32,212	-	32,212
Computer equipment and software	20,896	-	20,896
Supplies	34,978	-	34,978
Telephone	22,907	-	22,907
Travel	529	-	529
Reinstated bond	6,455	-	6,455
Postage	<u>24,962</u>	<u>-</u>	<u>24,962</u>
Total expenditures	<u>3,256,866</u>	<u>3,970</u>	<u>3,260,836</u>
Excess of Expenditures Over Revenue/Change in Net Assets - Before transfer from the City of Romulus			
	(13,289)	-	(13,289)
Transfer from the City of Romulus			
	<u>13,289</u>	<u>-</u>	<u>13,289</u>
Excess of Revenue Over Expenditures			
	-	-	-
Fund Balance/Net Assets - Beginning of year			
	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance/Net Assets - End of year			
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Notes to Financial Statements are an
Integral Part of this Statement.

Michigan 34th District Court

Fiduciary Funds Statement of Assets and Liabilities June 30, 2007

	Agency Funds	
	Depository	Bond
Assets		
Cash and cash equivalents (Note 3)	\$ 28,432	\$ 24,683
Investments (Note 3)	<u>885,972</u>	<u>55,081</u>
Total assets	<u>\$ 914,404</u>	<u>\$ 79,764</u>
Liabilities		
Due to General Fund	\$ 65,440	\$ -
Due to other local governmental units	617,709	4,844
Due to State of Michigan	180,954	-
Due to Wayne County	47,549	-
Appearance bonds payable	<u>2,752</u>	<u>74,920</u>
Total liabilities	<u>\$ 914,404</u>	<u>\$ 79,764</u>

Michigan 34th District Court

**Notes to Financial Statements
June 30, 2007**

Note I - Summary of Significant Accounting Policies

The accounting policies of the Michigan 34th District Court (the “Court”) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Court:

Reporting Entity

The Court is reported as a joint venture in the Cities of Romulus and Belleville and the Townships of Sumpter, Van Buren, and Huron, Michigan’s basic financial statements. Based on the significance of any operational or financial relationships with the Court, there are no component units to be included in the Court’s financial report.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Court’s basic financial statements include both the Court’s full accrual financial statements and modified accrual financial statements.

Full Accrual Financial Statements - The full accrual financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting, which is described below.

Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The statement of net assets includes and recognizes all long-term compensated absence liabilities. The statement of net assets would also recognize all long-term assets; however, these assets have been funded through operating transfers to the General Fund from the City of Romulus and have, therefore, been capitalized by the City of Romulus.

The statement of activities includes expenditures for employee compensated absences.

Modified Accrual Financial Statements - The Court’s modified accrual financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which is described below.

Note I - Summary of Significant Accounting Policies (Continued)

Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay finance expenditures of the fiscal period. For this purpose, the Court considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Court. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences are recorded only when payment is due.

The accounts of the Court are organized on the basis of funds, each of which is considered a separate accounting entity. The various funds are grouped, in the financial statements in this report, into generic fund types in two broad categories as follows:

Governmental Fund

General Fund - The General Fund contains the records of the ordinary activities of the Court that are not accounted for in another fund. The General Fund includes the general operating expenditures of the Court, which consist mainly of salaries and fringe benefits for Court employees. Revenue is derived primarily from fines and costs payable to the City of Romulus. The City of Romulus approves the Court's annual General Fund operating budget. The Court periodically withdraws funds from the Depository Fund that otherwise would be due to the City of Romulus to operate the Court's General Fund. Excess revenue at year end is payable to the City of Romulus.

Fiduciary Funds

Agency Funds - Agency Funds are used to account for assets held by the Court as an agent for individuals, organizations, other governments, or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Court uses the following Agency Funds:

- **Depository Fund** - This fund accounts for the receipt of fines and costs associated with criminal and ordinance violations for the five participating local units of government, the State of Michigan, the County of Wayne, and other third parties. The Court then distributes to the participating local units of government, the State of Michigan, and the County of Wayne, their share of fines and costs collected. The Court withdraws from the Depository Fund fines and costs that would otherwise be payable to the City of Romulus to operate the Court's General Fund.

Michigan 34th District Court

Notes to Financial Statements June 30, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

- **Bond Fund** - This fund receives and holds bond monies from defendants as a promise to appear on an appointed court date. After the court date, the monies are applied to fines and costs, bond costs, forfeitures, and refunds, as appropriate.

Financial Statement Amounts

Cash and Cash Equivalents - The Court has defined cash and cash equivalents to include cash on hand and all highly liquid investments purchased with an original maturity of three months or less when acquired.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Reconciliation of the Court as a Whole and the Individual Fund Financial Statements

The governmental fund balance sheet and statement of revenue, expenditures, and changes in fund balance of the Court's General Fund differ from the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current focus of the General Fund balance sheet and statement of revenue, expenditures, and changes in fund balance.

The statement of net assets includes the compensated absence liability of the Court employees and the statement of activities includes the expense related to this liability. As the City of Romulus ultimately subsidizes the Court's General Fund operations, a corresponding receivable and operating transfer has been recorded in the statement of net assets and statement of activities for these additional fringe benefits.

Note 3 - 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. A local unit 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 Court has designated one bank for the deposit of its funds. The Court has not adopted an investment policy in accordance with Public Act 196 of 1997; however, the Court's deposits and investments are in accordance with statutory authority.

The Court's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Court's deposits may not be returned to it. The Court does not have a deposit policy for custodial credit risk. At year end, the Court had approximately \$18,000 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The 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 Court evaluates each financial institution with which it deposits its funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Court has no investment policy that would further limit its investment choices. As of year end, the Court had approximately \$1,013,000 invested in mutual funds that were unrated.

Michigan 34th District Court

Notes to Financial Statements June 30, 2007

Note 4 - Interfund Receivables

The following are the interfund receivables at June 30, 2007:

Fund Due To	Fund Due From	Amount
General Fund	Depository Fund	\$ 65,440

Note 5 - Budget Information

The annual budget of the General Fund is prepared by Court management and adopted by the City Council of the City of Romulus, Michigan; subsequent amendments are approved by the City Council. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2007 has not been calculated. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget process is initiated in January for the following fiscal year. At this time, the financial director provides the Chief Judge with the appropriate financial information. The Chief Judge then prepares the budget and submits it to the City Council shortly thereafter for formal approval.

The budget statement (budgetary comparison schedule - General Fund) is presented on the same basis of accounting used in preparing the adopted budget.

The General Fund budget has been adopted in total; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. While the City Council has adopted a General Fund budget in total, a comparison of actual results of operations to the General Fund budget is included in the financial statements at the line-item level.

Note 6 - Allocation to Local Units

The Depository Fund of the Court receives all fines, costs, and probation income. These receipts are allocated to its District Control Unit and each participating local unit on a specific identification basis, as follows:

- One-third of fines, costs, and probation income specifically identified to the City of Belleville, Huron Township, Sumpter Township, and Van Buren Township is remitted to those communities. The remaining two-thirds is retained by this fund.

Note 6 - Allocation to Local Units (Continued)

- Fines and costs collected by the Court within 14 days from the date of infraction are returned in full to the local participating unit of government and are not subject to the two-thirds reduction described above.
- On a monthly basis, the Depository Fund transfers funds to the Court's General Fund, in an amount necessary to meet its operating budget.
- Statutory payments are remitted to the State of Michigan and Wayne County; remaining assets are remitted to the District Control Unit, the City of Romulus.

Note 7 - Postemployment Benefits

The Court provides healthcare and dental benefits to employees upon retirement, in accordance with labor contracts. Currently, seven retirees are eligible. Expenditures for postemployment healthcare benefits are recognized as the insurance premiums become due; during the year, this amounted to approximately \$58,000.

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

Note 8 - Risk Management

The Court is exposed to various risks of loss pertaining to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Court has purchased commercial insurance for these claims. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 9 - Defined Contribution Retirement Plan

Previously, the Court provided pension benefits for all its salaried and clerical employees through a multiemployer defined contribution plan sponsored by the City of Romulus. Effective September 1, 2004, the Court's employees had the option to either remain in the City of Romulus plan or switch to the Municipal Employees' Retirement System of Michigan (MERS). Employees with a loan balance with the City of Romulus pension plan were required to remain in the City's plan. All employees hired subsequent to September 1, 2004 are automatically enrolled in the MERS plan and have no option to enroll in the City of Romulus plan.

City of Romulus Retirement System

The City of Romulus retirement system is a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. At June 30, 2006, there were four employees participating in the City of Romulus pension system. As established by labor contracts, the plan requires the Court to make contributions totaling 10 percent of employees' base earnings (no overtime). Employees may make voluntary contributions up to a maximum of 10 percent of their annual compensation during each of these years. Full vesting takes place after 20 months of service for all contributions and related account earnings. In accordance with these requirements, the Court contributed approximately \$19,000. There were no employee elective contributions during the year.

Note 10 - Defined Benefit Retirement Plan

Plan Description - The Court also participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan that covers all its salaried and clerical employees not electing to participate in the City of Romulus Retirement System described above. MERS provides retirement, disability, and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy - The obligation to contribute to and maintain MERS for these employees was established by negotiation with the Court's competitive bargaining units and does not require a contribution from the employees.

Michigan 34th District Court

Notes to Financial Statements June 30, 2007

Note 10 - Defined Benefit Retirement Plan (Continued)

Annual Pension Cost - For the year ended June 30, 2007, the Court's annual pension cost of approximately \$157,000 for MERS was equal to the Court's required contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, and (c) no cost of living adjustments. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 29 years.

	Fiscal Year Ended June 30		
	2005	2006	2007
Annual pension costs (APC)	\$ 111,430	\$ 132,138	\$ 156,795
Percentage of APC contributed	100%	100%	100%
Net pension obligation	None	None	None
	Actuarial Valuation as of December 31		
	2004	2005	2006
Actuarial value of assets	\$1,687,465	\$1,973,499	\$2,299,661
Actuarial accrued liability (entry age) (AAL)	\$ 2,458,319	\$ 3,079,405	\$ 3,389,885
Unfunded AAL (UAAL)	\$ 770,854	\$ 1,105,906	\$ 1,090,224
Funded ratio	68.64%	64.09%	67.84%
Covered payroll	\$ 1,109,262	\$ 1,255,559	\$ 1,264,706
UAAL as a percentage of covered payroll	69.49%	88.08%	86.20%

Required Supplemental Information

Michigan 34th District Court

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2007

	Budget*	Actual	Favorable (Unfavorable) Variances with Amended Budget
Revenue			
Operating transfer from the City of Romulus	\$ 2,915,000	\$ 2,915,000	\$ -
Other revenue	<u>409,937</u>	<u>328,577</u>	<u>(81,360)</u>
Total revenue	3,324,937	3,243,577	(81,360)
Expenditures			
Salaries and wages	1,948,422	1,853,177	95,245
Fringe benefits	877,515	795,499	82,016
Attorney fees	50,000	62,502	(12,502)
Professional fees and contractual services	101,000	69,671	31,329
Education and training	10,000	8,646	1,354
Dues, fees, and subscriptions	51,000	66,557	(15,557)
Building insurance, maintenance, and utilities	71,000	52,593	18,407
Equipment lease and maintenance	40,000	48,567	(8,567)
Furniture and equipment	10,000	134,125	(124,125)
Jury and witness fees	5,000	4,233	767
Reference material	5,000	8,291	(3,291)
Work program	5,000	10,066	(5,066)
Printing	40,000	32,212	7,788
Computer equipment and software	15,000	20,896	(5,896)
Supplies	30,000	34,978	(4,978)
Telephone	25,000	22,907	2,093
Travel	1,000	529	471
Reinstated bond	2,000	6,455	(4,455)
Postage	<u>38,000</u>	<u>24,962</u>	<u>13,038</u>
Total expenditures	<u>3,324,937</u>	<u>3,256,866</u>	<u>68,071</u>
Excess of Expenditures Over Revenue - Before			
transfer from the City of Romulus	-	(13,289)	(13,289)
Transfer from the City of Romulus	<u>-</u>	<u>13,289</u>	<u>13,289</u>
Excess of Revenue Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*No amendments were made to the original budget during the fiscal year.

Other Supplemental Information

Michigan 34th District Court

Combining Statement of Changes in Assets and Liabilities Agency Funds Year Ended June 30, 2007

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
<u>Depository Fund</u>				
Assets - Cash and cash equivalents	<u>\$ 787,729</u>	<u>\$ 9,707,543</u>	<u>\$ 9,580,868</u>	<u>\$ 914,404</u>
Liabilities				
Due to General Fund	\$ 42,491	\$ 318,813	\$ 295,864	\$ 65,440
Due to other local governmental units	546,401	6,581,396	6,510,088	617,709
Due to State of Michigan	166,775	1,901,955	1,887,776	180,954
Due to Wayne County	32,062	813,384	797,897	47,549
Due to others	-	91,995	89,243	2,752
Total liabilities	<u>\$ 787,729</u>	<u>\$ 9,707,543</u>	<u>\$ 9,580,868</u>	<u>\$ 914,404</u>
<u>Bond Fund</u>				
Assets - Cash and cash equivalents	<u>\$ 81,522</u>	<u>\$ 1,068,760</u>	<u>\$ 1,070,518</u>	<u>\$ 79,764</u>
Liabilities				
Due to other local governmental units	\$ 14,262	\$ 23,888	\$ 33,306	\$ 4,844
Appearance bonds payable	67,260	1,044,872	1,037,212	74,920
Total liabilities	<u>\$ 81,522</u>	<u>\$ 1,068,760</u>	<u>\$ 1,070,518</u>	<u>\$ 79,764</u>



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November 27, 2007

Judge Tina Brooks-Green
Thirty-Fourth Judicial District Court
11131 Wayne Road
Romulus, MI 48174

Dear Judge Green:

We recently completed our audit of the basic financial statements of Thirty-Fourth Judicial District Court for the year ended June 30, 2007. As a result of our audit, we have the following comments and recommendations for your review and consideration.

Financial Results

The Court's depository fund receipts increased 38 percent in the current fiscal year. This resulted in a significant increase in the amounts transmitted to the Court's funding units. We understand the Court's budget for the 2007/2008 fiscal year assumes a similar level of activity. As you are aware, achieving results of this nature is a product of several factors, including the number of infractions generated by the Court's funding units (which are not under the direction or control of the Court). We encourage the Court to continue to monitor this activity on a monthly basis (in the event there is a need for budget modifications). We compliment the Court on this result.

Financial Policies and Internal Control Considerations

Funding of Other Postemployment Benefits (i.e., Retiree Health Care)

We have been discussing with the Court for several years the new accounting standards - referred to as GASB 43 and GASB 45 - which will now require local governments to recognize the cost of retiree health care and other similar nonpension benefits over the working life of employees on an actuarial basis. GASB 45 is effective for the Court's fiscal year ending June 30, 2010. If the Court decides to fund at the level determined by the actuary, the Court will need this data in January or early February 2009 to incorporate this new cost into the Court's budget process for fiscal year 2009/2010.

Summary of Prior Recommendations

Over the past several years, we have made recommendations related to opportunities to strengthen the Court's internal controls, including:

- Restricting access to blank checks
- Adopting formal investment, credit card, and wire transfer policies

We continue to encourage the Court to revise its policies and procedures to address these issues. In addition, given the increase in documentation requirements related to internal controls discussed below, now is an appropriate time for the Court to perform an overall evaluation of its internal control systems (particularly given the recent changes in information technology systems, etc.).

Major Auditing Standards Changes

New rules will become effective for the Court's audit next year. These new rules, which are known collectively as the new Risk Assessment Standards, significantly change the procedures auditors must perform in all financial statement audits. Under these new rules, auditors will be required to:

- More thoroughly examine and evaluate clients' accounting processes and controls, including the overall control environment, key controls over significant transactions, and the quality of internal oversight of the financial reporting process
- More thoroughly assess and document conditions in clients' systems and processes that create risks of material misstatement in their financial statements, and perform additional testing in response to these risks
- Design and perform more analytical tests of accounting and financial data
- Apply more stringent standards in identifying, assessing, and communicating internal control deficiencies
- Communicate more information about the results of the auditor's work to individuals involved in overseeing strategic direction and accountability for operations

As a practical effect of these new rules, we will need to make more detailed and specific requests for information from Court, particularly about processes and controls. These new auditing standards assume that certain documentation regarding accounting policies and internal controls already exist for the auditors review. As indicated above, we encourage the Court to begin the process now of assessing its readiness for the new standards. These changes are a result of the major corporate scandals that have happened and are designed to strengthen the confidence of users of audited financial statements.

We would like to thank Sandy Crout as well as all of the Court's personnel for their assistance during the audit. We appreciate the opportunity to serve as your auditors. If there are any questions about your financial report or the above comments and recommendations, we would be happy to discuss them at your convenience.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink that reads "Frank W. Audia". The signature is written in a cursive style with a large, prominent 'F'.

Frank W. Audia

A handwritten signature in black ink that reads "Stacey Reeves". The signature is written in a cursive style with a large, prominent 'S'.

Stacey L. Reeves