

**State of Michigan
35th Judicial District Court**

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

State of Michigan 35th Judicial District Court

Contents

Report Letter	1-2
Management's Discussion and Analysis	3-5
Basic Financial Statements	
Governmental Fund Balance Sheet/Statement of Net Assets	6
Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities	7
Fiduciary Funds - Statement of Net Assets	8
Notes to Financial Statements	9-16
Required Supplemental Information	17
Budgetary Comparison Schedule - General Fund	18
Other Supplemental Information	19
Schedule of General Fund Operating Revenue Received and Allocation of Expenditures to Local Units	20



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Independent Auditor's Report

To the Judges
State of Michigan 35th Judicial
District Court

We have audited the accompanying financial statements of the governmental activities, the General Fund, and the fiduciary fund information of State of Michigan 35th Judicial District Court (the "Court"), which collectively comprise the Court's basic financial statements as of and for the year ended December 31, 2007. These financial statements are the responsibility of the State of Michigan 35th Judicial 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 fund information of State of Michigan 35th Judicial District Court and the respective changes in financial position thereof for the year ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule, 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.

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 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 supplemental information. However, we did not audit the information and express no opinion on it.

To the Judges
State of Michigan 35th 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

June 5, 2008

State of Michigan 35th Judicial District Court

Management's Discussion and Analysis

Using this Annual Report

This annual report includes management's discussion and analysis, a series of financial statements and supplemental information for fiscal year 2007. The basic financial statements include the General Fund and the Fiduciary Fund. The Court's government-wide financial statement provides both long-term and short term information about the court's overall financial status. The financial statements also include notes that explain some of the operations in more detail than the government-wide reports.

	December 31	
	2007	2006
Assets - Current	\$ 1,338,599	\$ 893,392
Liabilities		
Current liabilities	\$ 980,398	\$ 522,340
Noncurrent liabilities	358,201	371,052
Total liabilities	\$ 1,338,599	\$ 893,392

The Court as a Whole

	Year Ended December 31	
	2007	2006
Revenue		
Fines and fees revenue	\$ 3,912,052	\$ 3,531,065
Probation, interest, and other revenue	1,219,284	1,128,883
Total revenue	5,131,336	4,659,948
Expenditures		
Shared expenditures	4,073,925	4,049,444
Jail fees	79,790	78,778
Jury and witness fees	9,534	7,972
Distributions to local units	968,087	523,754
Total expenditures	5,131,336	4,659,948
Excess of Revenue Over Expenditures	-	-
Fund Balance/Net Assets - Beginning of year	-	-
Fund Balance/Net Assets - End of year	\$ -	\$ -

State of Michigan 35th Judicial District Court

Management's Discussion and Analysis (Continued)

The 35th District Court does not actually receive money from any of the five communities that make up the Funding Unit as required by the court rule. All costs of operations are paid by the Court from revenues received through fines, fees, and costs received from tickets, court cases, and civil case filing fees. Total revenues increased 10.1 percent over last year.

Overall shared expenditures remained relatively the same from last year with an increase of only 0.6 percent. This is the result of close budget monitoring throughout the year and the continued effort from the management team to be cost conscious with regard to all expenses.

Salaries and fringe benefits continue to be a significant expense of the Court, representing 38 percent of the Court's total expenditures.

The excess revenue returned to the communities increased by 84 percent from last year. The revenues and total expenses were consistent in their increases at 10 percent but the increase in the returns to the communities was due to implemented expenditure controls by management.

Court Budgetary Highlights

The overall case load increase was only .01 percent, yet the revenues generated increased by 10.12 percent. Fiscal year 2007 reflected an 8.5 percent increase in felony offenses, a 9.8 percent reduction in traffic and misdemeanor offenses, and a 9.1 percent increase in landlord tenant, small claims, and civil cases.

The budget was amended in October to take into account events during the year. The most significant amendment change was the increase in sick and vacation line item from \$25,000 to \$48,360. This was the result of one employee retiring and one employee moving to part-time status. The Court once again outperformed the budget due to implementing cost-savings strategies.

The Court has changed the hiring practices to replace full-time employees with part-time employees as permitted by the union contract. This results in savings in both the salaries and fringe benefits of those positions.

Excess funds budgeted to be returned to the communities were \$277,845; the actual activity resulted in excess funds returned totaling \$968,087.

Economic Factors for Next Year's Budget

The Court's budget for 2008 proposes a 1 percent increase in revenues from 2007 due to a drastic increase in the Court's civil caseload. Current trends show that the criminal caseload will maintain the same levels as 2007. General operating expenses should remain the same.

State of Michigan 35th Judicial District Court

Management's Discussion and Analysis (Continued)

The success of our work detail program provides approximately 900 combined hours of labor to the communities per month. There will be a need to replace one of the vehicles for this program; an expense of \$23,000 has been added to the 2008 budget to reflect the purchase.

The 2008 budget format has changed at the request of the District Courthouse Authority board members to show more detail in the salaries and fringe benefit line items. There will be more detail in the classification of employees as a result of this change.

The Court is being proactive in reducing expenses and increasing revenues. The continued review of open positions determines whether a full-time or part-time replacement is appropriate. The ongoing review of hospitalization insurance coverage is conducted to reduce costs. The Court's administrative team continually reviews contracts and daily expenses to assist in reducing expenses.

The MAPE collective bargaining agreement expires at the end of 2008. Negotiations will start during the summer of 2008 to renew this agreement.

Contacting the Court's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with 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 administrator.

State of Michigan 35th Judicial District Court

Governmental Fund Balance Sheet/Statement of Net Assets December 31, 2007

	General Fund - Modified and Full Accrual Basis
Assets	
Cash and cash equivalents (Note 2)	\$ 1,328,480
Other assets	<u>10,119</u>
Total assets	<u><u>\$ 1,338,599</u></u>
Liabilities	
Accrued and other liabilities	\$ 98,057
Due to 35th District Courthouse Authority	166,254
Excess operating revenue on behalf of:	
City of Plymouth	99,717
Plymouth Township	82,211
City of Northville	64,867
Northville Township	168,907
Canton Township	300,385
Compensated absences due within one year	171,415
Compensated absences due in more than one year	<u>186,786</u>
Total liabilities	<u><u>\$ 1,338,599</u></u>

State of Michigan 35th Judicial District Court

Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended December 31, 2007

	General Fund - Modified and Full Accrual Basis
Revenue	
Fines and fees collected from within:	
City of Plymouth	\$ 354,473
Plymouth Township	507,973
City of Northville	230,929
Northville Township	737,039
Canton Township	<u>2,081,638</u>
Total fines and fees revenue	3,912,052
Probation, interest, and other revenue	<u>1,219,284</u>
Total revenue	5,131,336
Expenditures	
Court expenditures:	
Shared expenditures:	
Salaries and wages	1,953,028
Employee benefits	1,100,151
Contractual services	118,802
Occupancy expenses	633,084
Insurance	24,371
Printing, postage, and office supplies	93,890
Equipment services, leases, and maintenance	73,420
Travel, education, and training	23,845
Other expenditures	<u>53,334</u>
Total shared expenditures	4,073,925
Jail fees	79,790
Jury and witness fees	<u>9,534</u>
Total jail, jury, and witness fees	89,324
Distributions to local units (Note 5):	
Advance payments - Net of amount due from the District Control Unit	252,000
Payments made subsequent to year end	<u>716,087</u>
Total distributions to local units	<u>968,087</u>
Total expenditures	<u>5,131,336</u>
Excess of Revenue Over Expenditures	-
Fund Balance/Net Assets - Beginning of year	<u>-</u>
Fund Balance/Net Assets - End of year	<u><u>\$ -</u></u>

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

State of Michigan 35th Judicial District Court

Fiduciary Funds Statement of Net Assets December 31, 2007

	Agency Funds	
	Depository	Bond
Assets		
Cash and cash equivalents (Note 2)	\$ 132,424	\$ 215,956
Due from bond fund	5,733	-
	<u> </u>	<u> </u>
Total assets	<u>\$ 138,157</u>	<u>\$ 215,956</u>
Liabilities		
Civil trust bond payable	\$ 7,057	\$ -
Due to depository fund	-	5,733
Appearance bonds payable	-	210,223
Due to State of Michigan	118,424	-
Due to Wayne County Treasurer	12,676	-
	<u> </u>	<u> </u>
Total liabilities	<u>\$ 138,157</u>	<u>\$ 215,956</u>

State of Michigan 35th Judicial District Court

**Notes to Financial Statements
December 31, 2007**

Note I - Summary of Significant Accounting Policies

State of Michigan 35th Judicial District Court (the "Court") serves the cities of Northville and Plymouth and the charter townships of Canton, Plymouth, and Northville, which are members of the Court. The Court oversees and processes items relating to traffic violations, criminal and civil infractions, and small claims filings. It also provides probation oversight and related services.

The accounting policies of State of Michigan 35th Judicial District 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

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. Because of the nature of the Court's operations, there are no differences between the methods. Nonetheless, the methods are described below for general information.

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 are described below.

Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. There are no adjustments necessary to convert State of Michigan 35th Judicial District Court to the full accrual basis of accounting.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the full accrual financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Court has elected not to follow public sector standards issued after November 30, 1989 for its full accrual activities.

State of Michigan 35th Judicial District Court

Notes to the Financial Statements
December 31, 2007

Note I - Summary of Significant Accounting Policies (Continued)

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.

Revenue is recognized as soon as it is both measurable and available. 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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. All other revenue items are considered to be available only when cash is received by the Court.

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 the Court's share of fines and costs associated with the traffic and criminal divisions, filing fees assessed for civil and small claim filings, and probationary fees. In addition, the General Fund includes the restitution payable account, which receives and holds monies that are subsequently applied as reimbursements to plaintiffs for damaged property.

State of Michigan 35th Judicial District Court

Notes to the Financial Statements December 31, 2007

Note I - Summary of Significant Accounting Policies (Continued)

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 receives the Court's and the State of Michigan's share of fines and costs associated with the traffic and criminal divisions and filing fees assessed for civil and small claim filings. The Court's share is transferred out to the General Fund, and the State of Michigan's share is disbursed to the State. In addition, the fund includes the civil trust payable account, which receives and holds monies that are in dispute under a civil filing until the matter is settled. The funds are then remitted to the plaintiff or back to the defendant, as appropriate.
- **Appearance 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.

Compensated Absences (Vacation and Sick Leave) - It is the Court's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in both the modified and full accrual financial statements, in order to charge the communities as it is incurred.

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.

State of Michigan 35th Judicial District Court

Notes to the Financial Statements December 31, 2007

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 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 investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments 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. The Court's deposits and investment policies are in accordance with statutory authority.

The Court's cash and investments are subject to two 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 \$85,858 of bank deposits (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 funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

State of Michigan 35th Judicial District Court

Notes to the Financial Statements December 31, 2007

Note 2 - Cash and Cash Equivalents (Continued)

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 credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Sweep accounts	\$ 1,511,000	Unrated	NA

Note 3 - Budget Information

The annual budget is prepared by the judges of the Court and the court administrator and adopted by the board of directors of 35th District Courthouse Authority (the "DCA"); subsequent amendments are approved by the DCA board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 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 statement (budgetary comparison schedule - General Fund) is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on a fund basis. A comparison of actual results of operations to the General Fund budget as adopted by the DCA board is included in the required supplemental information. This comparison includes expenditure budget overruns.

Note 4 - Lease Agreement

The cities of Plymouth and Northville and the charter townships of Plymouth, Northville, and Canton ("District Control Units"), which are members of the 35th Judicial District Court, are also members of the DCA. The DCA was established in 1989 upon approval of an interlocal agreement by and among the District Control Units pursuant to the provisions of the Urban Cooperation Act, Act No. 7 of the Michigan Public Acts of 1967, as amended. The purpose of the DCA is, among other items, to establish a joint entity to lease, acquire, own, operate, and dispose of the courthouse for the mutual use and benefit of the District Control Units.

State of Michigan 35th Judicial District Court

Notes to the Financial Statements December 31, 2007

Note 4 - Lease Agreement (Continued)

The Court is leasing the courthouse from 35th Judicial Building Authority for the amount of the bond payments through 2018.

The following is a schedule of future minimum lease payments under the Court's operating leases:

2008	\$ 335,238
2009	326,838
2010	318,438
2011	408,038
2012	390,738
2013-2017	1,800,259
2018	<u>398,288</u>
Total	<u>\$ 3,977,837</u>

Total rent expense for the year ended December 31, 2007 amounted to \$340,624.

Note 5 - Allocation to Local Units

State of Michigan 35th Judicial District Court judges and the board of directors of the District Courthouse Authority have instructed that the expenses of the Court be divided among the five District Control Units in proportion to the volume of cases, including civil, attributable to each District Control Unit. The caseload figures are derived from the venue report obtained from the judicial information system program. Jail fees and jury and witness fees are to be allocated to each District Control Unit on a specific identification basis. Fines and fees collected from within the local units are distributable to the local units net of their allocation of the Court's expenditures.

Note 6 - Postemployment Benefits

The Court provides health care and optical benefits to all full-time employees upon retirement, in accordance with labor contracts. Currently, 12 retirees are eligible. The Court includes pre-Medicare retirees and their spouses, if eligible, in its insured health-care plan, with no contribution required by the participant. The Court purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment healthcare benefits are recognized as the insurance premiums become due; during the year, this amounted to approximately \$116,000.

State of Michigan 35th Judicial District Court

Notes to the Financial Statements
December 31, 2007

Note 6 - Postemployment Benefits (Continued)

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 December 31, 2009.

Note 7 - 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 8 - Defined Contribution Retirement Plan

The Court provides pension benefits for certain salaried and clerical employees, other than its security officers who are retired police officers, through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. New employees are ineligible to join the plan and must join the defined benefit plan.

The defined contribution retirement plan and an agreement between the 35th Judicial District Court and the Michigan Association of Public Employees require the Court to make monthly mandatory contributions totaling 13.5 percent of employees' paid wages as reflected on January 1 of each year. Employees may make voluntary contributions up to a maximum of 10 percent of their annual compensation during each of these years.

In accordance with these requirements, the Court contributed approximately \$100,000 during the year. No employees elected to make contributions during the year. Full vesting takes place after three years of employment for all employer contributions and related account earnings.

State of Michigan 35th Judicial District Court

Notes to the Financial Statements December 31, 2007

Note 9 - Defined Benefit Pension Plan

Plan Description - During the year ended December 31, 2003, the Court began participating in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan that covers all new employees of the Court as well as those converting from the defined contribution plan. 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 MERS. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy - The obligation to contribute and maintain MERS for these employees was established by negotiation with the Court's competitive bargaining units. This agreement requires a contribution from the employees of any actuarially required contributions in excess of 13.5 percent.

Annual Pension Cost - For the year ended December 31, 2007, the Court's annual pension cost of \$104,655 for the plan was equal to the Court's required actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005 using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8.0 investment rate of return, (b) projected salary increases of 4.5 percent per year plus a percentage attributable to seniority/merit, and (c) postretirement benefit increases of 2.5 percent annually. 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 10-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a normal basis. The remaining amortization period is 30 years.

	December 31		
	2007	2006	2005
Annual pension cost	\$ 104,655	\$ 103,516	\$ 98,395
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-
	Actuarial Valuation as of December 31		
	2006	2005	2004
Actuarial value of assets	\$ 2,555,022	\$ 2,329,066	\$ 1,959,691
Actuarial accrued liability (entry age)	3,269,994	2,953,143	2,454,250
Unfunded AAL (UAAL)	714,972	624,077	494,559
Funded ratio	78%	79%	80%
Covered payroll	\$ 758,170	\$ 712,545	\$ 612,297
UAAL as a percentage of covered payroll	94%	88%	81%

Required Supplemental Information

State of Michigan 35th Judicial District Court

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2007

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variances with Amended Budget
Revenue				
Fines and fees	\$ 3,448,000	\$ 3,448,001	\$ 3,912,052	\$ 464,051
Probation, interest, and other revenue	<u>1,112,173</u>	<u>1,112,172</u>	<u>1,219,284</u>	<u>107,112</u>
Total revenue	4,560,173	4,560,173	5,131,336	571,163
General Expenditures				
Salaries and wages:				
Judicial and staff	557,784	554,584	555,090	(506)
Administrative	471,244	471,244	441,326	29,918
Clerical	751,356	751,356	698,427	52,929
Probation	<u>251,017</u>	<u>251,017</u>	<u>258,185</u>	<u>(7,168)</u>
Total salaries and wages	2,031,401	2,028,201	1,953,028	75,173
Other general expenditures:				
Employee benefits	1,131,360	1,135,830	1,100,151	35,679
Contractual services	122,500	123,330	118,802	4,528
Insurance	20,391	22,391	24,371	(1,980)
Computer services	55,800	55,800	51,978	3,822
Printed forms	22,000	24,000	23,761	239
Postage	22,000	29,800	26,761	3,039
General office supplies	37,000	37,000	43,368	(6,368)
Equipment leases	3,300	3,300	2,984	316
Equipment maintenance	10,000	10,000	18,458	(8,458)
Travel	5,500	5,500	5,329	171
Education and training	22,000	17,900	18,516	(616)
Jail, jury, and witness fees	81,100	78,300	89,324	(11,024)
Other supplies and expenses	<u>41,100</u>	<u>46,100</u>	<u>53,334</u>	<u>(7,234)</u>
Total other general expenditures	1,574,051	1,589,251	1,577,137	12,114
Occupancy				
Building rent	353,675	353,675	342,164	11,511
Utilities	112,000	105,000	107,618	(2,618)
Insurance	44,000	44,000	21,418	22,582
Building maintenance	106,000	101,000	112,997	(11,997)
Capital outlay	<u>61,200</u>	<u>61,200</u>	<u>48,887</u>	<u>12,313</u>
Total occupancy	676,875	664,875	633,084	31,791
Distributions to Local Units	<u>277,846</u>	<u>277,846</u>	<u>968,087</u>	<u>(690,241)</u>
Total expenditures	<u>4,560,173</u>	<u>4,560,173</u>	<u>5,131,336</u>	<u>(571,163)</u>
Excess of Revenue Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Court's budget was adopted on a fund basis. The budget comparison shown above for the General Fund is more detailed than the General Appropriations Act. Information on this schedule is presented for the purpose of additional analysis.

Other Supplemental Information

State of Michigan 35th Judicial District Court

Schedule of General Fund Operating Revenue Received and Allocation of Expenditures to Local Units Year Ended December 31, 2007

	Fines and Fees Revenue	Allocated Shared Expenditures - Net of Probation, Interest, and Other Revenue	Jail, Jury, and Witness Fees Expenditures*	Distributions to Local Units	Net Amount Held on Behalf of Local Units
Gross revenue/expenditures	\$ 5,131,336	\$ 4,073,925	\$ 89,324	\$ 968,087	\$ -
Less probation, interest, and other revenue	1,219,284	1,219,284	-	-	-
Total	\$ 3,912,052	\$ 2,854,641	\$ 89,324	\$ 968,087	\$ -
Allocation by local units:					
City of Plymouth	\$ 354,473	\$ 196,777	\$ 9,979	\$ 48,000	\$ 99,717
Plymouth Township	507,973	390,058	12,704	23,000	82,211
City of Northville	230,929	164,373	1,689	-	64,867
Northville Township	737,039	469,521	17,611	81,000	168,907
Canton Township	2,081,638	1,633,912	47,341	100,000	300,385
Total	\$ 3,912,052	\$ 2,854,641	\$ 89,324	\$ 252,000	\$ 716,087

Net operating expenditures of the Court are allocated to the local units of government supporting the Court on the basis of case-load distribution set forth as follows:

Local Units	Number of Cases Attributable	Percent of Total	Net Operating Expenditures Allocations
City of Plymouth	2,927	6.89	\$ 196,777
Plymouth Township	5,802	13.66	390,058
City of Northville	2,445	5.76	164,373
Northville Township	6,984	16.45	469,521
Canton Township	24,304	57.24	1,633,912
Total	42,462	100.00	\$ 2,854,641

* Jail, jury, and witness fees were allocated on a specific identification basis.

**State of Michigan
35th Judicial District Court
and
35th District Courthouse Authority**

**Report to the Board Members
December 31, 2007**



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To the Judges
State of Michigan 35th Judicial District Court
and 35th District Courthouse Authority

We have recently completed our audit of the basic financial statements of the 35th Judicial District Court (the “Court”) and the 35th District Courthouse Authority (the “Courthouse Authority”) 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, and recommendations :

	<u>Page</u>
Report on Internal Control	1-3
Required Audit Communication of Significant Findings	4-7
Other Recommendations	8-9

We are grateful for the opportunity to be of service to the 35th Judicial District Court and the 35th District Courthouse Authority. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Plante & Moran, PLLC

June 5, 2008



June 5, 2008

To the Honorable Ronald W. Lowe,
Honorable John E. MacDonald, and
Honorable Michael J. Gerou
State of Michigan 35th Judicial District Court
and 35th District Courthouse Authority
660 Plymouth Road
Plymouth, MI 48170

Dear Judges:

Beginning with last year's audit, national auditing standards call for auditors to communicate matters to the governing body that may be useful in its oversight of the Court's financial management. Specifically, they require us to report internal control issues to the governing body that may be relatively minor, in order to allow it to evaluate their significance, and make any changes it may deem appropriate. In general, these are items that would have been discussed orally with management in the past. The purpose of these new standards is to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this report on internal control will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of the Court as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Court's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Court's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal controls over financial reporting that we consider to be material weaknesses.

To the Honorable Ronald W. Lowe,
Honorable John E. MacDonald, and
Honorable Michael J. Gerou
State of Michigan 35th Judicial District Court
and 35th District Courthouse Authority

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America 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 controls. We consider the following to be significant deficiencies in internal control:

- The controller's journal entries are not being reviewed by another individual before they are posted into the general ledger. In addition, financial statements are not reviewed regularly by either management or the board. An individual should be identified to review and sign off on the journal entries prepared by the controller, and financial statements should be provided to management and the board for their review on a quarterly basis at a minimum.
- At the time we received the download of the trial balance for year-end testing, it was noted the individual funds were not in balance, nor did the trial balance, balance in total. Journal entries were initiated by the auditors in order for the individual funds to balance. After these journal entries were made, the trial balance was still out of balance in total due to an error in the accounting system. The controller contacted the accounting system vendor to inquire how to correct the problem. The Court should perform a more thorough review of the trial balance throughout the year and at year end in order to ensure each fund is in balance.
- The controller currently has the ability to make all general journal entries in the computer, write checks, make all payroll adjustments to the payroll service, and initiate all transfers with the bank. In order to have stronger internal controls, the recordkeeping function should be separated from the custody function. The Court should consider separating those two functions.
- Bank reconciliations were not consistently prepared on a timely basis, nor reviewed by an individual separate from the accounting function.
- Bond and trust listings were not reconciled to the general ledger throughout the year, and an audit adjustment was required.

To the Honorable Ronald W. Lowe,
Honorable John E. MacDonald, and
Honorable Michael J. Gerou
State of Michigan 35th Judicial District Court
and 35th District Courthouse Authority

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the following deficiency to be a material weakness:

- Several material journal entries were initiated by the auditors. These entries had to be posted in order for the financial statements to be in compliance with generally accepted accounting principles.

To the Board Members
State of Michigan 35th Judicial District Court
and 35th District Courthouse Authority

We have audited the financial statements of the State of Michigan 35th Judicial District Court and 35th District Courthouse Authority for the year ended December 31, 2007 and have issued our report thereon dated June 5, 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 January 15, 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 State of Michigan 35th Judicial District Court and 35th District Courthouse Authority. Our consideration of internal controls was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal controls.

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 letter about planning matters dated April 14, 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 State of Michigan 35th Judicial District Court and 35th District Courthouse Authority are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007.

To the Board Members
State of Michigan 35th Judicial District Court
and 35th District Courthouse Authority

We noted no transactions entered into by the 35th District Courthouse Authority during the year for which there is a lack of authoritative guidance or consensus. Related to the State of Michigan 35th Judicial District Court, we noted one such instance. The Court's policy in the past has been to record an expenditure (and liability) for employee sick and vacation pay. Our understanding is that you intend to do this as a means of allocating this cost to the periods that the services have been rendered, and to enable you to charge the communities at the time and for the amount of their current participation in the Court. The issue is that under generally accepted accounting principles, employee compensated absences are not to be recorded at the fund level until they come due for payment. However, as auditors, we view your stated goal of charging member communities currently for the cost of sick and vacation pay as appropriate. Alternatively, you might have viewed this charge as having occurred prior to earning the right to it (if sick and vacation pay had not been counted), which therefore would have allowed this to be reported as deferred revenue (a liability account also). Therefore, as auditors, we have accepted the Court's position that the recording of sick and vacation pay costs in this instance results in an equivalent position as if it had followed generally accepted accounting principles more rigorously but had chosen to bill ahead for employee compensated absences.

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.

Difficulties Encountered in Performing the Audit

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

Corrected 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. All misstatements identified during the audit have been corrected by management. Several misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. The material journal entries were as follows:

- Appropriate recording of the transactions resulting from the refunding of the debt
- Appropriately record cash and the interfund balances as of the end of the year

To the Board Members
State of Michigan 35th Judicial District Court
and 35th District Courthouse Authority

- In aggregate, the journal entries relating to appropriately stating beginning fund balances, recognition of the third quarter payment to the communities during the 2007 year, and adjusting the bond and trust liabilities to agree to the subsidiary ledger

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 June 5, 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.

Other Audit Findings or Issues

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.

To the Board Members
State of Michigan 35th Judicial District Court
and 35th District Courthouse Authority

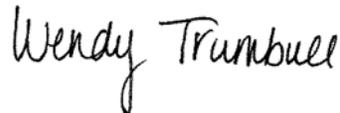
This information is intended solely for the use of the board of trustees and management of the State of Michigan 35th Judicial District Court and 35th District Courthouse Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC



David H. Helisek



Wendy N. Trumbull

Other Recommendations

35th Judicial District Court and 35th District Court Courthouse Authority

Other Recommendations

In addition to the items stated above in the report on internal control, we have identified additional matters that we would like to communicate as a result of our audit. These matters are not considered to be significant deficiencies or material weaknesses.

Outstanding Checks

As described in prior years, it was noted that there are still a number of old outstanding checks on the bank reconciliations. It is our understanding that the escheating process began in the prior year and has continued throughout this year. We would like to commend the Court for ongoing with this process and would like to encourage continuation with its efforts in “cleaning up” the bank reconciliations.

Bond Receipts > \$10,000

It was noted during the audit that the client had received five receipts greater than \$10,000. The IRS requires a Form 8300 to be filed with each individual transaction where more than \$10,000 is received, or in two or more related transactions that result in receipt > \$10,000. This form must be filed by the 15th day after the date the cash was received. It is our understanding that the Form 8300 was not filed due to lack of communication. We would encourage the Court to implement a process whereby the appropriate people are informed when the Court receives large individual transactions.

Capital Asset Inventory

It was noted through discussion with the controller that a thorough fixed asset inventory was conducted during the time of the audit, FY ending 2008. The Court should agree its current fixed asset listing to the newly updated inventory records to ensure the most up-to-date fixed asset records are being kept.

We would like to thank you and your staff, particularly Debra Kubitskey and Pam Avdoulos, for the courtesy and cooperation extended to us during the course of our audit. If you have any further questions regarding the above comments or would like assistance in their implementation, please feel free to contact us.