

Clarksville-Morrison Lake Sewer Authority
Ionia County, Michigan
Financial Statements
With Supplemental Information
December 31, 2007

Auditing Procedures Report

Reset Form

Email

Issued under Public Act 2 of 1968, as amended.

Unit Name	Clarksville-Morrison Lake Sewer	County	IONIA	Type	AUTHORITY	MuniCode	
Opinion Date-Use Calendar	May 20, 2008	Audit Submitted-Use Calendar	Jun 25, 2008	Fiscal Year-Use Drop List	2007		

If a local unit of government (authorities & 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, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? <u>NA</u>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies? <input checked="" type="checkbox"/> 19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="text"/>
General Fund Expenditure:	<input type="text"/>
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	<input type="text"/>
Governmental Activities Long-Term Debt (see instructions):	<input type="text"/>

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Steven	Last Name	Thompson	Ten Digit License Number	1101012375				
CPA Street Address	356 E Main St	City	Saranac	State	MI	Zip Code	48881	Telephone	+1 (616) 642-9467
CPA Firm Name	Biggs, Hausserman, Thompson	Unit's Street Address	P.O. Box 167	City	Clarksville	LU Zip	48815		

Clarksville-Morrison Lake Sewer Authority

December 31, 2007

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INDEPENDENT AUDITOR'S REPORT

To the Board
Clarksville – Morrison Lake Sewer Authority
Ionia County, Michigan

We have audited the accompanying financial statements of the business-type activities of Clarksville – Morrison Lake Sewer Authority as of and for the year ended December 31, 2007, which comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Clarksville – Morrison Lake Sewer Authority 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 business-type activities of the Clarksville – Morrison Lake Sewer Authority as of December 31, 2007, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

BIGGS, HAUSSERMAN, THOMPSON & DICKINSON, P.C.
Certified Public Accountants

May 20, 2008

Clarksville-Morrison Lake Sewer Authority
Management Discussion and Analysis
December 31, 2007

INTRODUCTION

The following is the Clarksville – Morrison Lake Sewer Authority’s (the Authority’s) Management Discussion and Analysis (MD&A) of financial activities and performance for the fiscal years ended December 31, 2007 and 2006. It provides an introduction to the Authority’s 2007 financial statements. Information contained in this MD&A has been prepared by the Authority’s Management and should be considered in conjunction with the financial statements and notes.

The notes are essential to a full understanding of the data contained in the financial statements. This report also presents certain required supplementary information regarding capital assets activity during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this annual report consists of three parts – the MD&A, the basic financial statements, and the notes to the financial statements. The basic financial statements include: the statements of net assets, the statements of revenues, expenses, and changes in net assets, and the statements of cash flows. This report also includes economic data.

Understanding the financial trend of the Authority begins with understanding the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets. Looking at these two reports, you should be able to determine if the Authority is better off financially this year than it was in the past.

These two reports show the Authority’s net assets and the changes in them during 2007. The Authority’s net assets are its assets minus its liabilities. This is one measure of financial position of the Authority. Over time, increases or decreases in the Authority’s net assets are a good indicator of whether its financial strength is improving or deteriorating. You may need to consider other factors not shown on these two financial reports in order to assess the Authority’s true financial condition. The most significant external factor to consider in evaluating the health of the system is the stability of the number of users of the system. Management believes the number of users will not change significantly in the foreseeable future.

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets include all of the assets and liabilities of the Authority using the accrual basis of accounting, which is the method used by most private sector businesses. All of the current year’s revenues and expenses are taken into account regardless of when the cash is received or paid by the Authority.

Clarksville-Morrison Lake Sewer Authority
Management Discussion and Analysis
December 31, 2007

The "one proprietary fund" model is used in this report in compliance with the rules of GASB 34 which provide that separately issued debt and separately classified assets are needed in order for a separate fund to exist. None of the Authority's separate cash funds meet this definition. Therefore, for purposes of this report all of the Authority's transactions are reported in one fund. The Authority uses only one fund, an enterprise fund, which is a type of proprietary fund. An enterprise fund reports business type activities.

FINANCIAL ANALYSIS OF THE AUTHORITY

NET ASSETS

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets provide information to determine how the Clarksville-Morrison Lake Sewer Authority did financially during 2007.

Statement of Net Assets Summary

	<u>2007</u>	<u>2006</u>
Current Assets	\$ 715,647	\$ 641,555
Capital Assets	2,086,956	2,180,322
Total Assets	<u>\$ 2,802,603</u>	<u>\$ 2,821,877</u>
Current Liabilities	<u>\$ 1,589</u>	<u>\$ 600</u>
Net assets		
Invested in capital assets	2,086,956	2,180,322
Unrestricted	<u>714,058</u>	<u>640,955</u>
Total Net Assets	<u>\$ 2,801,014</u>	<u>\$ 2,821,277</u>

**Clarksville-Morrison Lake Sewer Authority
Management Discussion and Analysis
December 31, 2007**

CHANGES IN NET ASSETS

Authority operating revenues for the year ended December 31, 2007, totaled \$213,609, which was an increase of \$8,997, or 4.4% compared to 2006 operating revenues.

Statement of Revenue, Expenses and Changes in Net Assets Summary

	<u>2007</u>	<u>2006</u>
Operating Revenues	\$ 213,609	\$ 204,612
Non-operating Revenues	25,831	22,100
Total Revenues	<u>239,440</u>	<u>226,712</u>
Depreciation Expense	122,327	122,327
Other Operating Expense	<u>137,376</u>	<u>140,578</u>
Total Expenses	<u>259,703</u>	<u>262,905</u>
Changes in Net Assets	(20,263)	(36,193)
Net Assets, Beginning of Year	<u>2,821,277</u>	<u>2,857,470</u>
Net Assets, End of Year	<u><u>\$ 2,801,014</u></u>	<u><u>\$ 2,821,277</u></u>

Total expenses for the year total \$259,703, which is a decrease of \$3,202, or 1.2%, from 2006.

As a result of excess expenses over revenue, the Authority's total net assets decreased by \$20,263.

**Clarksville-Morrison Lake Sewer Authority
Management Discussion and Analysis
December 31, 2007**

CAPITAL ASSETS

The Authority's capital assets include land, sewer system, buildings, improvements, machinery and equipment. As of December 31, 2007, the Authority had \$2,086,956 (net of accumulated depreciation) in capital assets. This is a decrease of \$93,366, or 4.3%, from 2006. This year's additions totaled \$28,961 and included lift station rehabilitations.

Capital Assets Summary (net of Accumulated Depreciation)

	2007	2006
Land	\$ 106,500	\$ 106,500
Sewer System	1,764,547	1,839,740
Machinery and equipment	128,202	142,480
Buildings	59,494	61,092
Land Improvements	28,213	30,510
	\$ 2,086,956	\$ 2,180,322

The Authority has a capital budget of \$171,300 for 2008. Expected purchases include a lawnmower and a sewer truck.

ECONOMIC FACTORS

The local economy is the primary factor affecting the Authority. Specifically, the significant influences are the number of units on the system and the cost for energy and labor. The Authority Board does not expect significant change in the number of users on the system.

Over the years, the Authority Board has worked to minimize the Authority's sewer rates charged to customers. The financial losses experienced in recent years, and in 2007, are expected to continue unless rates are increased. These losses reduce the net assets of the Authority. To counteract these losses, the Authority Board has agreed to begin imposing rate increases. The most recent increase went into effect the fourth quarter of 2007.

CONTACTING THE AUTHORITY'S FINANCIAL MANGEMENT

The Clarksville – Morrison Lake Sewer Authority designed this financial report to provide our customers and investors with an overview of the Authority's finances. If you have questions or need additional information, please contact: Director, P.O. Box 167, Clarksville, Michigan 48815. Telephone (616) 642-6359.

Clarksville-Morrison Lake Sewer Authority
Statement of Net Assets
December 31, 2007

ASSETS

Current Assets

Cash & Equivalents	\$ 655,942
Accounts Receivable	59,705
Total Current Assets	<u>715,647</u>

Noncurrent Assets

Capital Assets	5,524,703
Accumulated Depreciation	<u>(3,437,747)</u>
Total Noncurrent Assets	<u>2,086,956</u>

TOTAL ASSETS	\$ <u>2,802,603</u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 1,222
Accrued Expenses	367
Total Current Liabilities	<u>1,589</u>

Net Assets

Invested in Capital Assets	2,086,956
Unrestricted	<u>714,058</u>
Total Stockholders' Equity	<u>2,801,014</u>

TOTAL LIABILITIES AND NET ASSETS	\$ <u>2,802,603</u>
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Clarksville-Morrison Lake Sewer Authority
Statement of Revenues, Expenses and Changes in Net Assets
For the year ended December 31, 2007

REVENUES

Charges for services	\$ 200,769
Penalty and interest charges	12,840

TOTAL OPERATING REVENUES	213,609
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EXPENSES

Salaries	58,526
Payroll taxes	5,383
Hospitalization insurance	4,824
Employee benefits	334
Retirement	1,217
Supplies	30,061
Contractual services	4,312
Insurance	11,471
Utilities	16,097
Repairs	4,325
Dues and fees	826
Depreciation	122,327

TOTAL EXPENSES	259,703
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OPERATING INCOME	(46,094)
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NONOPERATING REVENUES (EXPENSES)

Interest on investments	25,831
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TOTAL NONOPERATING REVENUES (EXPENSES)	25,831
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CHANGE IN NET ASSETS	(20,263)
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NET ASSETS - BEGINNING OF YEAR	2,821,277
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NET ASSETS- END OF YEAR	\$ 2,801,014
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Clarksville-Morrison Lake Sewer Authority
Statement of Cash Flows
For the year ended December 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	209,728
Payments to employees	(64,534)
Payments to suppliers	<u>(71,853)</u>

Net cash provided by (used in) operating activities	<u>73,341</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING

Purchase of capital assets	<u>(28,960)</u>
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Net cash provided by (used in) capital and related financing	<u>(28,960)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>25,831</u>
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NET INCREASE (DECREASE) IN CASH AND POOLED INVESTMENTS	70,212
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CASH BALANCE AT BEGINNING OF YEAR	<u>585,730</u>
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CASH BALANCE AT END OF YEAR	<u><u>\$ 655,942</u></u>
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Reconciliation of operating income (loss) to net cash provided by operating activities	
Operating income (loss)	\$ (46,094)

Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation	122,327
Changes in operating assets and liabilities which provided (used) cash:	
Accounts receivable	(3,880)
Accounts payable	621
Accrued liabilities	<u>367</u>

NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u><u>\$ 73,341</u></u>
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Clarksville – Morrison Lake Sewer Authority
Notes to the Financial Statements
December 31, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Authority was created under the provisions of Act 233, Public Acts of Michigan, 1955, as amended. The name of this authority is Clarksville-Morrison Lake Sewer Authority. The principal office of the authority is located at the treatment site, Clarksville, Michigan. The names of the municipalities creating the authority are the Township of Boston, the Township of Campbell, and the Village of Clarksville, all in Ionia County, which are designated as constituent municipalities. The fiscal year of the Authority shall commence on the first day of January in each year and end on the 31st day of December of such year.

The purpose of the authority is to operate, maintain, administer and manage any sewer disposal system, and treatment plan constructed or to be constructed by the County of Ionia for the benefit of the constituent municipalities. The governing body of the authority is a commission, which is composed of five (5) members, one from the governing board of each of the constituent municipalities, the other two members are users of the sewage disposal system, nominated and appointed in accordance with the bylaws of the Authority.

The accounting policies of Clarksville-Morrison Lake Sewer Authority 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 Clarksville-Morrison Lake Sewer Authority.

Reporting Entity

Clarksville-Morrison Lake Sewer Authority is governed by an appointed five-member Board. The accompanying financial statements present the activities of the Authority. There are no component units to be included in these financial statements.

Government-Wide and Fund Financial Statements

The Authority has only one fund, the Sewer Fund.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charge to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Clarksville – Morrison Lake Sewer Authority
Notes to the Financial Statements
December 31, 2007

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government reports the following major proprietary fund:

The Sewer Fund accounts for the activities of the sewage collection system.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private sectors standards issued after November 30, 1989 for its business –type activities.

The proprietary fund distinguishes operating revenue and expenses from non-operating items. Operating revenue and expense generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary fund relates to charges to customers for services. The sewer fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as non-operating revenue. Operating expenses for the proprietary fund includes the cost of services, administrative expenses, and depreciation on capital assets. All revenue and expense not meeting this definition are reported as non-operating revenue and expenses.

Clarksville – Morrison Lake Sewer Authority
Notes to the Financial Statements
December 31, 2007

Assets, Liabilities, and Net Assets or Equity

Bank Deposits—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Receivables—All delinquent accounts receivable are turned over to Ionia County for collection. No accounts receivables are considered uncollectible.

Inventories and Prepaid Items—Inventories are valued at cost, on a first-in, first-out basis. Inventories of the Authority are considered to be immaterial to the financial statements as a whole. Certain payments to vendors may reflect costs applicable to future fiscal years and would be recorded as prepaid items in the financial statements.

Capital Assets—Capital Assets, which include property, plant and equipment, are reported in the financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Sewer system	25 to 50 years
Machinery and equipment	5 to 15 years
Vehicles	3 years

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Clarksville – Morrison Lake Sewer Authority
Notes to the Financial Statements
December 31, 2007

NOTE 2 – DEPOSITS

Michigan Compiled Laws, Section 129.91, authorizes Clarksville-Morrison Lake Sewer Authority to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Authority is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature 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 which are legal for direct investment by local units of government in Michigan.

Clarksville-Morrison Lake Sewer Authority Board has designated five banks and one credit union for the deposit of Authority funds. Clarksville-Morrison Lake Sewer Authority's deposits are in accordance with statutory authority.

The bank balance of the Authority's deposits is \$655,519, of which \$483,175 is covered by federal depository insurance and \$172,344 is uninsured and uncollateralized.

NOTE 3 – RECEIVABLES

Receivables as of December 31, 2007, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Sewer Fund</u>
Customer accounts	<u>\$ 59,705</u>

Clarksville – Morrison Lake Sewer Authority
Notes to the Financial Statements
December 31, 2007

Note 4 –CAPITAL ASSETS

Capital asset activity of Clarksville-Morrison Lake Sewer Authority for the year ended December 31, 2007 was as follows:

	Balance January 1, 2007	Additions	Disposals and Adjustments	Balance December 31, 2007
Assets not being depreciated:				
Land	\$ 106,500	\$ 0	\$ 0	\$ 106,500
Capital assets being depreciated:				
Sewer system	5,007,266	28,961	0	5,036,227
Machinery and equipment	262,450	0	0	262,450
Vehicles	21,715	0	0	21,715
Buildings	63,938	0	0	63,938
Land Improvements	33,873	0	0	33,873
Subtotal	5,389,242	28,961	0	5,418,203
Accumulated depreciaton:				
Sewer system	3,167,526	104,154	0	3,271,680
Machinery and equipment	119,970	14,278	0	134,248
Vehicles	21,715	0	0	21,715
Buildings	2,846	1,598	0	4,444
Land Improvements	3,363	2,297	0	5,660
Subtotal	3,315,420	122,327	0	3,437,747
Net capital assets being depreciated	2,073,822	(93,366)	0	1,980,456
Net capital assets	\$ 2,180,322	\$ (93,366)	\$ 0	\$ 2,086,956

Depreciation expense of \$122,327 was charged to the sewer fund.

Clarksville – Morrison Lake Sewer Authority
Notes to the Financial Statements
December 31, 2007

NOTE 5 – RISK MANAGEMENT

Clarksville-Morrison Lake Sewer Authority is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. Clarksville-Morrison Lake Sewer Authority has purchased commercial insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 6 – OTHER POST-EMPLOYMENT BENEFITS

The Authority has no post-retirement benefit plans.

NOTE 7 – DEFINED CONTRIBUTION PENSION PLAN

Clarksville-Morrison Lake Sewer Authority participates in the Scudder Trust Company defined contribution plan that covers one employee. The Authority contributes up to 3.0% of the employee's compensation paid during the plan year. Pension expense for the year was \$1,217.



To the Board of Directors
Clarksville-Morrison Lake Sewer Authority
Clarksville, Michigan

In planning and performing our audit of the financial statements of the business-type activities of Clarksville-Morrison Lake Sewer Authority 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 Clarksville-Morrison Lake Sewer Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit'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 control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

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

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

Clarksville-Morrison Lake Sewer Authority does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record certain revenue and expenditure accruals and to present financial statement disclosures.

There is a lack of segregation of duties at the Authority. The relative size of the Authority limits the extent to which the officials can segregate duties and responsibilities which impairs the basic premise that no individual should have access to both the physical assets and the related accounting records (or all recording tasks of a transaction from inception to completion).

The Authority has implemented mitigating controls to strengthen internal controls and the segregation of duties; however, it must be recognized that there is a risk of intentional or unintentional errors not being detected in a timely matter. It is critical that the board continue to maintain strong oversight in the future.

The Authority has determined that any benefits derived from eliminating the above deficiencies would not exceed or justify the costs to do so.

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



Biggs, Hausserman, Thompson, & Dickinson, P.C.
May 20, 2008



To the Board of Directors
Clarksville-Morrison Lake Sewer Authority
Clarksville, Michigan

We have audited the financial statements of the business-type activities of Clarksville-Morrison Lake Sewer Authority for the year ended December 31, 2007, and have issued our report thereon dated May 20, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 21, 2008, our responsibility, as described by professional standards, is to express opinions 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. Our audit of the financial statements does not relieve you or management of your responsibilities.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Clarksville-Morrison Lake Sewer Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

Depreciation expense was not entered for the year ended December 31, 2007.

Disagreements with Management

For purposes 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 Representations

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

Management 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 governmental unit'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

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors.

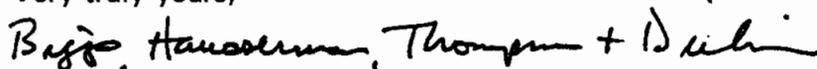
Comments and Recommendations

We recommend that revenues and accounts receivable be accrued as earned, instead of recorded using the cash basis of accounting. QuickBooks can be utilized to transition to the accrual method.

In addition, it is very important that the board continue to exercise strong oversight over operations in an environment where segregation of duties is not feasible due to the small size of the Authority.

This information is intended solely for the use of the Board of Directors and management of Clarksville-Morrison Lake Sewer Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Biggs, Hausserman, Thompson & Dickinson, P.C.

May 20, 2008