

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	

Mordon E. Krater

Michigan 47th District Court

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

Michigan 47th District Court

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Independent Auditor's Report

To District Judges Marla E. Parker
and James B. Brady and the
Members of the City Councils
of Farmington and Farmington Hills
Michigan 47th District Court
Farmington Hills, Michigan 48336

We have audited the accompanying financial statements of the governmental activities, the Administration Fund, and the fiduciary fund information of Michigan 47th 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 Michigan 47th 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 Administration Fund, and the fiduciary fund information of Michigan 47th 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 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 required supplemental information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of Michigan 47th District Court. This information has been subjected to the 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.

To District Judges Marla E. Parker
and James B. Brady and the Members of the City
Councils of Farmington and Farmington Hills
Michigan 47th 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

October 15, 2007

Michigan 47th District Court

Management's Discussion and Analysis

Our discussion and analysis of Michigan 47th 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 City of Farmington and the City of Farmington Hills. 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 Administration Fund. The trust and agency activities of the court are reported in Fiduciary Funds.

Using this Annual Report

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required 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 about the Court's Administration 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 statements are followed by a section of required supplemental information that further explains and supports the information in the financial statements.

Michigan 47th District Court

Management's Discussion and Analysis (Continued)

Condensed Financial Information

The table below depicts key financial information for the Administration Fund in a condensed format, in thousands of dollars:

	<u>2007</u>	<u>2006</u>
Assets		
Current assets	\$ 387	\$ 393
Capital assets	<u>91</u>	<u>98</u>
Total assets	478	491
Liabilities		
Other liabilities	361	300
Installment purchase agreements	<u>68</u>	<u>66</u>
Total liabilities	<u>429</u>	<u>366</u>
Net Assets		
Invested in capital assets	23	32
Restricted for drunk driving-related expenses	24	36
Unrestricted	<u>2</u>	<u>57</u>
Total net assets	<u><u>\$ 49</u></u>	<u><u>\$ 125</u></u>
Revenue		
Contributions:		
City of Farmington	\$ 466	\$ 394
City of Farmington Hills	2,573	2,612
State funding - Judicial salaries	91	91
Other	<u>87</u>	<u>50</u>
Total revenue	3,217	3,147
Expenses - Court services	<u>3,293</u>	<u>3,120</u>
Change in Net Assets	<u><u>\$ (76)</u></u>	<u><u>\$ 27</u></u>

Michigan 47th District Court

Management's Discussion and Analysis (Continued)

The Court as a Whole

- The Court's primary source of revenues is contributions from the Cities of Farmington and Farmington Hills, Michigan, which represents 94 percent of total revenue.
- Salaries and fringe benefits continue to be a significant expense of the Court, representing 79 percent of the Court's total expenditures.
- The Court's Administration Fund's actual contributions from the cities were less than budgeted by \$273,784. This resulted from the Court using \$35,697 of drunk-driving funds to cover certain expenses and the Court spending less than was budgeted by \$206,909.

The Court's Fund

Our analysis of the Court's major fund is included on pages 7 through 9 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 Administration Fund.

The Administration Fund budget is prepared by court administration and approved by the councils of the two cities. Substantially all of the expenditures of the Court are paid for by contributions from the two cities based upon an agreed formula for funding the Court.

The fund balances of the Court consist of legal reserves and imprest cash. Once per year, at the end of the Court's fiscal year, the two cities calculate the net expenditures of the Court and adjust their final contribution to set fund balances at the approved reserves. During the current year, fund balance was decreased by \$67,411.

Court Budgetary Highlights

Although overall case filing numbers increased from the previous fiscal year, the Court was once again significantly under budget in 2006-2007. This was due primarily to salary and fringe benefit savings resulting from a management decision to continue a position vacancy for the first four months of the fiscal year and unforeseen savings in statutory case processing line items (e.g., witness fees, juror fees, interpreter fees). In addition, the Court realized significant savings in the office supplies line item through product standardization efforts and negotiated vendor pricing.

In fiscal year 2005-2006, because of falling case filing numbers and static revenue numbers, the Court implemented cost-saving strategies to help bridge the gap between revenues and expenses. In 2006-2007, case filing and revenue figures increased due primarily to traffic filings from the Farmington Hills Police Department returning to historical levels. However, the Court continued holding a clerk position vacant for the first third of the fiscal year, finally filling the position in November 2006. This contributed to savings in the salary line item as well as all associated fringe benefit line items (e.g., Social Security, hospitalization, and dental insurance).

Michigan 47th District Court

Management's Discussion and Analysis (Continued)

Although overall case filings increased due to the increase in traffic cases, criminal cases remained static. Therefore, statutory line items such as witness fees, juror fees, and interpreter fees did not increase as expected. Additional savings were realized in these areas as well due to management strategies that made these processes more efficient.

Finally, after two years of research, the Court decided not to proceed with the purchase of an imaging/optical storage system because the system did not adequately meet the Court's needs. The \$55,000 budgeted in the capital outlay item for this purchase, which had been carried over from fiscal year 2005-2006, was returned to the cities.

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 47th District Court

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

	Administration Fund - Modified Accrual Basis	GASB No. 34 Adjustments (Note 2)	Statement of Net Assets - Full Accrual Basis
Assets			
Cash and cash equivalents (Note 3)	\$ 336,118	\$ -	\$ 336,118
Due from other governmental units	37,867	-	37,867
Prepaid expenses and other assets	13,269	-	13,269
Capital assets - Net (Note 4)	-	91,389	91,389
Total assets	\$ 387,254	91,389	478,643
Liabilities			
Accounts payable	\$ 40,722	-	40,722
Due to other governmental units	276,733	-	276,733
Salary withholdings, accrued payroll, and payroll taxes payable	43,803	-	43,803
Noncurrent liabilities (Note 5):			
Due within one year	-	26,699	26,699
Due in more than one year	-	41,422	41,422
Total liabilities	361,258	68,121	429,379
Fund Balance			
Reserved - Drunk driving and drug case management appropriation (Note 6)	23,646	(23,646)	-
Unreserved	2,350	(2,350)	-
Total fund balance	25,996	(25,996)	-
Total liabilities and fund balance	\$ 387,254		
Net Assets			
Invested in capital assets - Net of related debt		23,268	23,268
Restricted for drunk driving and drug case management related expenses (Note 6)		23,646	23,646
Unrestricted		2,350	2,350
Total net assets		\$ 49,264	\$ 49,264

Michigan 47th District Court

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

	Administration Fund - Modified Accrual Basis	GASB No. 34 Adjustments (Note 2)	Statement of Activities - Full-accrual Basis
Revenue			
Contributions:			
City of Farmington	\$ 465,549	\$ -	\$ 465,549
City of Farmington Hills	2,573,463	-	2,573,463
State funding:			
Judicial salaries	91,448	-	91,448
Drug court	2,935	-	2,935
Drunk driving	22,374	-	22,374
Proceeds from debt	26,153	(26,153)	-
Miscellaneous income	61,400	-	61,400
Total revenue	3,243,322	(26,153)	3,217,169
Expenditures			
Salaries and wages	1,690,540	-	1,690,540
Employees' longevity pay	40,862	-	40,862
Fringe benefits	16,753	-	16,753
Insurance allowance	840	-	840
Vehicle allowance	3,600	-	3,600
Payment in lieu of hospital insurance	45,709	-	45,709
Social Security	127,281	-	127,281
Employees' hospitalization insurance	294,713	-	294,713
Employees' life insurance	22,506	-	22,506
Retirement contribution	296,252	-	296,252
Workers' compensation	15,572	-	15,572
Employees' optical plan	1,608	-	1,608
Employees' dental plan	44,425	-	44,425
Office supplies	37,275	-	37,275
Postage	21,735	-	21,735
Records management	1,062	-	1,062
Law library	6,631	-	6,631
Professional services	5,598	-	5,598
Professional services - Labor relations	369	-	369
Witness fees	6,640	-	6,640
Jury fees	2,351	-	2,351
Interpreter fees	8,154	-	8,154
Substitute court reporter	10,480	-	10,480
Court-appointed counsel	71,250	-	71,250
Accounting fees	30,275	-	30,275
Audit and accounting fees	13,000	-	13,000

Michigan 47th District Court

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

	Administration Fund - Modified Accrual Basis	GASB No. 34 Adjustments (Note 2)	Statement of Activities - Full-accrual Basis
Expenditures (Continued)			
Contractual services	\$ 145,641	\$ (23,623)	\$ 122,018
Telecommunications	13,980	-	13,980
Transportation	7,785	-	7,785
Mileage	1,475	-	1,475
Public utilities	120,020	-	120,020
Maintenance - Office equipment	10,083	-	10,083
Building maintenance	71,657	-	71,657
Cleaning and uniforms	3,543	-	3,543
Equipment rental	12,380	-	12,380
Memberships	5,754	-	5,754
Miscellaneous	8,578	-	8,578
Banking charges	10,598	-	10,598
Insurance and bonds	35,922	-	35,922
Noncapitalized assets	11,365	-	11,365
Drug court	4,265	-	4,265
Capital outlay	32,206	(32,206)	-
Depreciation	-	38,318	38,318
	3,310,733	(17,511)	3,293,222
Total expenditures			
Excess of Expenditures Over Revenue/Change in Net Assets	(67,411)	(8,642)	(76,053)
Fund Balance/Net Assets - Beginning of year	93,407	31,910	125,317
Fund Balance/Net Assets - End of year	\$ 25,996	\$ 23,268	\$ 49,264

Michigan 47th District Court

Fiduciary Funds Statement of Assets and Liabilities June 30, 2007

	<u>Agency Fund</u>	<u>Trust Fund</u>
Assets		
Cash and cash equivalents (Note 3)	\$ 423,756	\$ 432,329
Due from other governmental units	<u>12,031</u>	<u>-</u>
Total assets	<u>\$ 435,787</u>	<u>\$ 432,329</u>
Liabilities		
Due to City of Farmington Hills	\$ 259,842	\$ 11,407
Due to City of Farmington	55,821	2,057
Due to Municipal Building Fund	16,005	-
Due to State of Michigan	94,628	-
Due to Oakland County	6,207	-
Due to Secretary of State	3,284	-
Refundable bonds and other	<u>-</u>	<u>418,865</u>
Total liabilities	<u>\$ 435,787</u>	<u>\$ 432,329</u>

Michigan 47th District Court

Notes to Financial Statements June 30, 2007

Note I - Summary of Significant Accounting Policies

The accounting policies of Michigan 47th 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 Farmington and Farmington Hills, 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 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.

The statement of net assets includes and recognizes all long-term assets, as well as long-term obligations. The Court's net assets are reported in three parts - invested in capital assets, restricted net assets, and unrestricted net assets.

The statement of activities eliminates capital outlay expense and principal payments on installment purchase agreements and includes depreciation on long-term assets.

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.

Michigan 47th District Court

**Notes to Financial Statements
June 30, 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 are described below.

Grant and other 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. Fine and fee 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 and claims and judgments are recorded only when payment is due.

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.

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 combined financial statements in this report, into generic fund types in two broad categories as follows:

Governmental Funds

Administration Fund - The Administration Fund was established to account for the operations of the Court. The Administration Fund is funded principally by transfers from the City of Farmington Hills and the City of Farmington and reimbursements from the State of Michigan.

Fiduciary Funds

Agency and Trust Funds - The Agency and Trust Funds report the collection of amounts that are subsequently returned or paid to third parties. Accordingly, the operations of the funds are limited to cash transactions.

Michigan 47th District Court

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

Note I - Summary of Significant Accounting Policies (Continued)

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.

Capital Assets - Capital assets are defined by the Court as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Court only records capital assets paid for by the Administration Fund. The Court building and the majority of the furniture and equipment were paid for by the Farmington Hills Building Authority and are recorded on the financial statements of the City of Farmington and the City of Farmington Hills.

Computers and computer software are depreciated using the straight-line method over the useful life of five years. Equipment is depreciated using the straight-line method over the useful life of seven years.

Long-term Obligations - In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net assets.

Fund Equity - In the fund financial statements, the governmental fund reports reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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.

Michigan 47th District Court

Notes to Financial Statements June 30, 2007

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

Total fund balance and the net change in fund balance of the Court's Administration Fund differs from the net assets and change in net assets of the Court's activities reported in the governmental fund balance sheet/statement of net assets and the statement of governmental revenue, expenditures, and changes in fund balance/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 Administration Fund balance sheet and statement of revenue, expenditures, and change in fund balance.

The following is a reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance - Modified Accrual Basis	\$ 25,996
Amounts reported in the statement of net assets are different because:	
Capital assets are not financial resources and are not reported in the funds	91,389
Installment purchase obligations are not due and payable in the current period and are not reported in the funds	<u>(68,121)</u>
Total Net Assets - Full Accrual Basis	<u>\$ 49,264</u>

Michigan 47th District Court

Notes to Financial Statements June 30, 2007

Note 3 - Deposits (Continued)

The Court has designated two banks for the deposit of its funds. The investment policy adopted by the Court in accordance with Public Act 196 of 1997 has authorized investment in all investments permissible under Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) as listed above. The Court's deposits and investment policies are in accordance with statutory authority.

The Court's cash is 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 \$1,156,645 of bank deposits (checking 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.

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
Money market account	\$ 227,049	Not rated	N/A

Michigan 47th District Court

Notes to Financial Statements June 30, 2007

Note 4 - Capital Assets

Capital asset activity of the Court was as follows:

	Balance July 1, 2006	Additions	Disposals and Adjustments	Balance June 30, 2007
Capital assets being depreciated:				
Computers and computer software	\$ 112,868	\$ 6,053	\$ -	\$ 118,921
Equipment	64,439	26,153	-	90,592
Subtotal	177,307	32,206	-	209,513
Accumulated depreciation:				
Computers and computer software	52,190	29,112	-	81,302
Equipment	27,616	9,206	-	36,822
Subtotal	79,806	38,318	-	118,124
Net capital assets being depreciated	<u>\$ 97,501</u>	<u>\$ (6,112)</u>	<u>\$ -</u>	<u>\$ 91,389</u>

Note 5 - Installment Purchase Agreements

Outstanding Obligations

Installment purchase agreements are general obligations of the Court. The activity can be summarized as follows:

	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Installment purchase agreement - AS400:						
Amount of issue - \$64,439						
Maturing through 2009	\$856-\$997	\$ 36,787	\$ -	\$ (10,843)	\$ 25,944	\$ 11,270
Installment purchase agreement - Konica Copier:						
Amount of issue - \$26,153						
Maturing through 2011	\$461-\$637	-	26,153	(3,783)	22,370	6,078
Installment purchase agreement - Telephone system:						
Amount of issue - \$53,131						
Maturing through 2009	\$710-\$824	28,804	-	(8,997)	19,807	9,351
Total installment purchase agreements		<u>\$ 65,591</u>	<u>\$ 26,153</u>	<u>\$ (23,623)</u>	<u>\$ 68,121</u>	<u>\$ 26,699</u>

Michigan 47th District Court

Notes to Financial Statements June 30, 2007

Note 5 - Installment Purchase Agreements (Continued)

Debt Service Requirements

The annual requirements to service all installment purchase obligations outstanding as of June 30, 2007, including principal and interest, are as follows:

<u>Years Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 26,699	\$ 3,035	\$ 29,734
2009	28,125	1,695	29,820
2010	10,772	554	11,326
2011	<u>2,525</u>	<u>44</u>	<u>2,569</u>
Total	<u>\$ 68,121</u>	<u>\$ 5,328</u>	<u>\$ 73,449</u>

Interest

Interest expense for the Court for the year ended June 30, 2007 was \$3,544.

Note 6 - Designated and Reserved/Restricted Fund Balance/Net Asset Activity

A summary of the current year activity related to the Court's drunk-driving and drug case management appropriation is as follows:

Reserved/Restricted fund balance/Net assets - July 1, 2006	\$ 36,057
Current year receipts from State of Michigan	23,287
Current year expenditures	<u>(35,698)</u>
Reserved/Restricted fund balance/Net assets - June 30, 2007	<u>\$ 23,646</u>

Michigan 47th District Court

Notes to Financial Statements June 30, 2007

Note 7 - Budget Information

The annual budget of the Administration Fund is prepared by Court management and adopted by the city councils of the City of Farmington and the City of Farmington Hills, Michigan in May for the following fiscal year; subsequent amendments are approved by both city councils. During the current year, there were no budget amendments. 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 statement (statement of revenue, expenditures, and changes in fund balance - budget and actual - Administration Fund) is presented on the same basis of accounting used in preparing the adopted budget.

The Administration Fund budget has been adopted in total; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the Administration Fund budget as adopted by the respective city councils is included in the required supplemental information.

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 medical benefits provided to employees, and participates in the Michigan Municipal Risk Management Authority (the "Authority"), a risk pool for claims relating to property loss, torts, and errors and omissions. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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

Note 9 - Retirement Plans

Employees of the Court are covered by the retirement plan of the City of Farmington Hills. Information related to this plan is available at the City of Farmington Hills city offices.

Required Supplemental Information

Michigan 47th District Court

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

	Original and Amended Budget*	Actual	Favorable (Unfavorable) Variances with Amended Budget
Revenue			
Contributions:			
City of Farmington	\$ 506,195	\$ 465,549	\$ (40,646)
City of Farmington Hills	2,806,601	2,573,463	(233,138)
State funding:			
Judicial salaries	91,448	91,448	-
Drug court	-	2,935	2,935
Drunk driving	35,698	22,374	(13,324)
Proceeds from debt	-	26,153	26,153
Miscellaneous income	23,000	61,400	38,400
Total revenue	3,462,942	3,243,322	(219,620)
Expenditures			
Salaries and wages	1,741,748	1,690,540	51,208
Employees' longevity pay	40,809	40,862	(53)
Fringe benefits	24,000	16,753	7,247
Insurance allowance	840	840	-
Vehicle allowance	3,600	3,600	-
Payment in lieu of hospital insurance	38,880	45,709	(6,829)
Social Security	135,621	127,281	8,340
Employees' hospitalization insurance	344,000	294,713	49,287
Employees' life insurance	23,309	22,506	803
Retirement contribution	288,299	296,252	(7,953)
Workers' compensation	11,170	15,572	(4,402)
Employees' optical plan	4,000	1,608	2,392
Employees' dental plan	47,366	44,425	2,941
Office supplies	49,000	37,275	11,725
Postage	24,793	21,735	3,058
Records management	2,500	1,062	1,438
Law library	8,410	6,631	1,779
Professional services	14,000	5,598	8,402
Professional services - Labor relations	7,500	369	7,131
Witness fees	12,500	6,640	5,860
Jury fees	7,000	2,351	4,649
Interpreter fees	24,000	8,154	15,846
Substitute court reporter	12,000	10,480	1,520
Court-appointed counsel	85,000	71,250	13,750
Accounting fees	30,262	30,275	(13)

Michigan 47th District Court

Required Supplemental Information Budgetary Comparison Schedule - Administration Fund (Continued) Year Ended June 30, 2007

	Original and Amended Budget*	Actual	Favorable (Unfavorable) Variances with Amended Budget
Expenditures (Continued)			
Audit and accounting fees	\$ 13,520	\$ 13,000	\$ 520
Contractual services	134,233	145,641	(11,408)
Telecommunications	17,500	13,980	3,520
Transportation	14,750	7,785	6,965
Mileage	2,000	1,475	525
Public utilities	118,800	120,020	(1,220)
Maintenance - Office equipment	19,757	10,083	9,674
Building maintenance	66,475	71,657	(5,182)
Cleaning and uniforms	2,925	3,543	(618)
Equipment rental	15,270	12,380	2,890
Memberships	6,080	5,754	326
Miscellaneous	10,000	8,578	1,422
Banking charges	11,000	10,598	402
Insurance and bonds	34,825	35,922	(1,097)
Noncapitalized assets	5,000	11,365	(6,365)
Drug court	5,000	4,265	735
Capital outlay	59,900	32,206	27,694
Total expenditures	3,517,642	3,310,733	206,909
Excess of Expenditures Over Revenue	(54,700)	(67,411)	(12,711)
Fund Balance - Beginning of year	93,407	93,407	-
Fund Balance - End of year	\$ 38,707	\$ 25,996	\$ (12,711)

* There were no budget amendments in the current year.

Other Supplemental Information

Michigan 47th District Court

Schedule of Cash Receipts and Disbursements Agency Fund Types Year Ended June 30, 2007

	Agency Fund	Trust Fund
Cash and Cash Equivalents - July 1, 2006	\$ 362,824	\$ 207,905
Cash Receipts		
Fines and fees collected	4,438,599	-
Interest and other	22,231	11,103
Bond and escrow receipts and garnishments collected	-	892,354
Total cash receipts	4,460,830	903,457
Disbursements		
Transfers to Court control units:		
City of Farmington	603,634	633
City of Farmington Hills	2,573,492	3,507
Transfers to State of Michigan	932,961	-
Transfers to Oakland County	90,930	-
Bond refunds and forfeitures and escrow and garnishments disbursed	-	674,893
Transfers to Building Fund	151,952	-
Transfers for clearance cards	37,400	-
Bank charges and other	9,529	-
Total disbursements	4,399,898	679,033
Cash and Cash Equivalents - June 30, 2007	<u>\$ 423,756</u>	<u>\$ 432,329</u>

October 15, 2007

To District Judges Marla E. Parker
and James B. Brady
Michigan 47th District Court
Farmington Hills, MI 48336

Dear Judge Parker and Judge Brady:

We recently completed our audit of the basic financial statements of the State of Michigan 47th 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.

Internal Control Considerations

Investment Policy

The Court utilizes interest-bearing checking accounts and does not have any investments at this time. We recommend that the Court implement a written investment policy that complies with Public Act 20 of 1943, as amended, in the event that funds are invested in the future.

Credit Card Policy

The Court currently uses a credit card for some purchases on a limited basis. Public Act 266 of 1995 authorizes the use of credit cards by local units of government for appropriate expenses. The act also sets specific criteria which should be followed. We recommend that the Court review its credit card policy and ensure it addresses these requirements. If a formal policy has not been adopted, the Court may wish to consider adopting such a policy.

Timely Reimbursements from Cities

In the Court's Agency Fund, the Court accumulates bank charges that need to be reimbursed by the cities and earns interest that needs to be remitted to the cities for the entire year. At the end of the year, the Court sends a check to the cities for the interest earned and an invoice for bank charges to be reimbursed. This leads to timing differences which have been \$3,000 - \$4,000 for the current year between what the Court incurs and what the cities reimburse the Court. Although these are merely timing differences, we recommend that the Court calculate the interest earned and bank charges incurred monthly instead of annually as this would eliminate these timing differences at the end of the year.

New Auditing Standards

The following new auditing standards, issued by the American Institute of Certified Public Accountants (AICPA) Auditing Standards Board, have been implemented for the Court's June 30, 2007 year end:

- **Statement on Auditing Standard 103 - Audit Documentation** - This standard clarifies and increases the requirements that auditors must follow in obtaining, managing, and retaining documentation that supports the audit opinion. It prescribes the form, content, and extent of audit documentation necessary to support the audit work. It also redefines the method used to determine the dating of the auditor's report and creates a "lock down" date for the audit file.

The impact of this new standard resulted in increased requests for audit documentation and dating the opinion letter later than in previous years.

- **Statement on Auditing Standard 112 - Communicating Internal Control Related Matters Identified in an Audit** - This standard establishes standards and provides guidance regarding the auditor's communication responsibility to those charged with governance (i.e., judges, council, or finance/audit committee) concerning significant deficiencies and material weaknesses in internal control noted in a financial statement audit. The standard defines internal control deficiency, significant deficiency (this term replaces the term "reportable condition"), and material weakness. Internal control deficiencies that constitute significant deficiencies and material weaknesses will be reported, in writing, to those charged with governance and will be made no later than 60 days following the release date of the auditor's report on the financial statements.

The impact of this new standard resulted in more significant deficiencies being reported due to the lower threshold for reporting internal control deficiencies. For example, items such as audit adjustments and passed adjustments are now considered strong indicators of internal control deficiencies.

In addition to the two new Auditing Standards listed above, eight Auditing Standards will be effective for the Court's June 30, 2008 year end. The AICPA issued Statements on Auditing Standards Nos. 104 to 111 (The Risk Assessment Standards) that will substantially affect the auditing process. The ramifications for the audit process are substantial. At this point, the specific impact of these standards on our audit process is being evaluated and we will continue to keep you apprised of the status.

To District Judges Marla E. Parker
and James B. Brady
Michigan 47th District Court

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October 15, 2007

We would like to thank the Court 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



Gordon E. Krater



Monika M. Lesinski