

### 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 checked="" type="checkbox"/> Other		Local Unit Name Schoolcraft County EDC	County Schoolcraft
Fiscal Year End September 30, 2007	Opinion Date December 21, 2007	Date Audit Report Submitted to State January 31, 2008	

We affirm that:

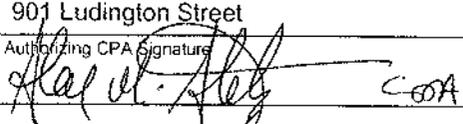
We are certified public accountants licensed to practice in Michigan.

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).

- SEY NO Check each applicable box below. (See instructions for further detail.)
- 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.
  - 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.
  - The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - The local unit has adopted a budget for all required funds.
  - A public hearing on the budget was held in accordance with State statute.
  - 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.
  - The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - The local unit only holds deposits/investments that comply with statutory requirements.
  - 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).
  - 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.
  - The local unit is free of repeated comments from previous years.
  - The audit opinion is UNQUALIFIED.
  - The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - The board or council approves all invoices prior to payment as required by charter or statute.
  - 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 checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-786-3111		
Street Address 901 Ludington Street		City Escanaba	State MI	Zip 49829
Authorizing CPA Signature 		Printed Name Alan M. Stotz, CPA		License Number 1996839

SCHOOLCRAFT COUNTY  
ECONOMIC DEVELOPMENT CORPORATION

COMPONENT UNIT FINANCIAL STATEMENTS

September 30, 2007

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**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
Alan M. Stotz, CPA, Principal  
Raymond B. LaMarche, CPA, Principal  
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA  
Laura L. Schwalbach, CPA

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Schoolcraft County Economic  
Development Corporation  
Manistique, Michigan 49854

We have audited the accompanying statement of net assets of the Schoolcraft County Economic Development Corporation, a component unit of Schoolcraft County, as of and for the year ended September 30, 2007, and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion 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 and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. 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 opinion.

As discussed in Note A, the financial statements present only the Schoolcraft County Economic Development Corporation and do not purport to, and do not, present fairly the financial position of the County of Schoolcraft, Michigan, as of September 30, 2007, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Schoolcraft County Economic Development Corporation, as of September 30, 2007, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Directors  
Schoolcraft County Economic  
Development Corporation

In accordance with Government Auditing Standards, we have also issued our report dated December 21, 2007, on our consideration of the Schoolcraft County Economic Development Corporation's internal control over financial reporting and our tests of its' compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Audit Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages three through five is not a required part of the basic financial statements but is supplementary 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 supplementary information. However, we did not audit the information and express no opinion on it.

*Anderson, Tackman & Company P.C.*

Certified Public Accountants

December 21, 2007

## Schoolcraft County Economic Development Corporation

### Management Discussion and Analysis (Unaudited)

This section of the Schoolcraft County Economic Development Corporation's (SCEDC) annual financial report presents our discussion and analysis of the SCEDC's financial performance during the year ended September 30, 2007. Please read it in conjunction with the SCEDC's financial statements.

The following table summarizes the net assets as of September 30, 2007 and 2006:

	2007	2006
<b>ASSETS:</b>		
<b>CURRENT ASSETS:</b>		
Cash - Restricted	\$ 38,639	\$ 81,819
- Unrestricted	30,347	47,970
Accounts Receivable	3,640	-
Total Current Assets	72,626	129,789
<b>FIXED ASSETS:</b>		
Office Equipment and Furniture	6,641	6,641
Less: Accumulated Depreciation	(6,641)	(5,635)
Net Fixed Assets	-	1,006
<b>TOTAL ASSETS</b>	<b>\$ 72,626</b>	<b>\$ 130,795</b>
<b>LIABILITIES:</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts Payable	\$ 6,274	\$ -
Accrued Payroll Taxes & Unemployment	2,850	2,847
Deferred Revenue	-	48,364
Total Current Liabilities	9,124	51,211
<b>NET ASSETS:</b>		
Invested in Capital Assets, net of related debt	-	1,006
Unrestricted	63,502	78,578
Total Net Assets	63,502	79,584
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 72,626</b>	<b>\$ 130,795</b>

The following table provides comparative revenue and expense information for the fiscal years ended September 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES:		
Federal Sources:		
Rehab Grants - County	\$ 123,308	\$ 133,353
Admin & Project Management	28,551	6,533
State Sources:		
Brownfield	574	2,191
Homelinks	400	1,050
Other:		
County Appropriation	-	10,000
City Appropriation	1,100	1,100
Township Appropriations	500	1,200
Program Income	6,335	34,532
Homeowner Share	-	255
Miscellaneous	306	130
Total Operating Revenues	<u>161,074</u>	<u>190,344</u>
OPERATING EXPENSES:		
Rehabilitation Expenses	130,806	137,539
Administrative Expenses	46,687	81,369
Total Operating Expenses	<u>177,493</u>	<u>218,908</u>
Operating Loss	<u>(16,419)</u>	<u>(28,564)</u>
NONOPERATING INCOME (EXPENSE):		
Interest Income	337	450
Gain on Sale of Assets	-	16,074
Total Nonoperating Income (Expense)	<u>337</u>	<u>16,524</u>
Net Loss	(16,082)	(12,040)
Net Assets, Beginning of Year	<u>79,584</u>	<u>91,624</u>
NET ASSETS, END OF YEAR	<u>\$ 63,502</u>	<u>\$ 79,584</u>

The SCEDC revenues decreased along with expenses due to staff cutbacks and the sale of the building facility in 2006. A net loss of \$16,082 was realized in 2007, which was slightly larger than 2006 due to a cutback in county funding.

In the future the Corporation plans to continue to administer housing grants under the remaining funding levels. New sources of funding will be pursued to try and diversify the Corporation's revenue base and activities.

This financial report is designed to provide our citizens with a general overview of the SCEDC's finances and to demonstrate accountability for the funds received.

If you have any questions about this report or need additional information, please contact the SCEDC office at the Schoolcraft County Courthouse, Manistique, Michigan, 49854.

SCHOOLCRAFT COUNTY  
ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF NET ASSETS

September 30, 2007

ASSETS

CURRENT ASSETS:

Cash - Restricted	\$ 38,639
Unrestricted	30,347
Due from state	<u>3,640</u>

TOTAL CURRENT ASSETS 72,626

FIXED ASSETS:

Office equipment and furniture	6,641
Less accumulated depreciation	<u>(6,641)</u>

NET FIXED ASSETS -

TOTAL ASSETS \$ 72,626

LIABILITIES AND EQUITY

CURRENT LIABILITIES:

Accounts payable	\$ 6,274
Accrued payroll taxes	<u>2,850</u>

TOTAL CURRENT LIABILITIES 9,124

NET ASSETS:

Unrestricted	<u>63,502</u>
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TOTAL LIABILITIES AND NET ASSETS \$ 72,626

See accompanying notes to financial statements.



SCHOOLCRAFT COUNTY  
ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES

For the year ended September 30, 2007

NON-OPERATING INCOME (EXPENSE):		
Interest income		<u>337</u>
	NET LOSS	(16,082)
Net assets, beginning of year		<u>79,584</u>
	NET ASSETS, END OF YEAR	<u>\$ 63,502</u>

See accompanying notes to financial statements.

SCHOOLCRAFT COUNTY  
ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS

For the year ended September 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from grant activities	\$ 100,829
Cash received from other sources	8,241
Cash payments to employees for services	(26,734)
Cash payments to suppliers for goods and services	<u>(143,477)</u>

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES (61,141)

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest income	<u>338</u>
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NET DECREASE IN CASH (60,803)

Cash and equivalents, beginning of year	<u>129,789</u>
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CASH AND EQUIVALENTS, END OF YEAR \$ 68,986

RECONCILIATION OF OPERATING LOSS TO NET CASH  
USED BY OPERATING ACTIVITIES:

Operating loss	(16,419)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	1,005
(Increase) decrease in receivables	(3,640)
Increase (decrease) in accounts payable	6,274
Increase (decrease) in accrued expenses	3
Increase (decrease) in deferred revenue	<u>(48,364)</u>

NET CASH USED BY OPERATING ACTIVITIES \$ 61,141

See accompanying notes to financial statements.

SCHOOLCRAFT COUNTY  
ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Economic Development Corporation was incorporated on March 12, 1982 by Schoolcraft County under the provisions of Act No. 338 of the Public Acts of 1974, as amended, for the purposes of preventing conditions of unemployment and to assist commercial enterprise in order to strengthen and revitalize the economy of Schoolcraft County. To fulfill its stated purpose, the Corporation was charged with management responsibilities for distribution and control over certain grant monies.

- (1) Scope of Entity - The accompanying financial statements present information on all of the federal, state and local grants received by the Corporation.
- (2) Component Unit - The Schoolcraft County Economic Development Corporation is a component unit of the County of Schoolcraft.
- (3) Accounting Policies - The accounting policies of the Corporation conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

Basis of Accounting - Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. The Corporation maintains its accounting records on the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when incurred. The Corporation applies all GASB pronouncements as well as the FASB pronouncements issued on or after November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements.

- (4) Fixed Assets - Fixed assets, consisting of tangible personal property, are valued at cost for assets purchased by the Corporation and at estimated fair market value at date of acquisition for assets acquired by transfer from other entities.
- (5) Depreciation - Depreciation on all exhaustible fixed assets used by the Corporation is charged as an expense against operations and accumulated depreciation is reported on the statement of net assets.

Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Equipment	15 years
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The cost of normal maintenance and repairs is charged to operations as incurred.

- (6) Restricted Resources - When both general purpose and restricted revenues are available for use it is the Corporation's policy to use restricted resources first.

SCHOOLCRAFT COUNTY  
ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- (7) Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.
- (8) Advertising - Advertising costs are expensed as incurred. Total advertising and marketing expenses for the fiscal year were \$253.

NOTE B - CASH AND EQUIVALENTS

- (1) Cash - Within the Statement of Net Assets and the Statement of Cash Flows all investments that have original maturities of three months or less are reported as cash equivalents. The composition of cash as reported on the balance sheet is presented below:

Cash items:	
Checking - restricted	\$ 28,451
- unrestricted	30,347
Money Market	<u>10,188</u>
TOTAL	<u>\$ 68,986</u>

- (2) Deposits - At year-end, the carrying amount of the Corporation's deposits were \$68,986 and the bank balance was \$78,262. Of the bank balance, \$68,074 is insured by Federal Depository Insurance according to FDIC regulations, and \$10,188 is uninsured and uncollateralized.

State statutes authorize the Corporation to deposit and invest in the following:

- a. Bonds and other direct obligations of the United States or an Agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution.
- c. Commercial paper rated at time of purchase within the three highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Banker's acceptance of United States banks.

SCHOOLCRAFT COUNTY  
ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE B - CASH AND EQUIVALENTS (continued)

- f. Obligations of this state or any of its political subdivisions that at the time of purchase are related as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 sat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
  - i) The purchase of securities on a when-issued or delayed delivery basis.
  - ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the securities loaned.
  - iii) The limited ability to borrow and pledge a like portion of the portfolios' assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, MCL 124.501 to 124.512.
- i. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.
- j. Investment pools organized under the Local Government Investment Pool Act, MCL 129.141 to 129.150.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

All deposits are carried at cost, which approximate market value, and are in accordance with statutory authority.

The Corporation does not have an investment policy that specifically cover investment risks. The Corporation invests it's money in local banks and investment agents in cash and cash equivalents.

SCHOOLCRAFT COUNTY  
ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

**NOTE C - FIXED ASSETS**

A summary of changes in fixed assets is as follows:

	<u>Balance</u> <u>10/01/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/07</u>
Office equipment	6,641	-	-	6,641
Accumulated depreciation	<u>(5,635)</u>	<u>1,006</u>	<u>-</u>	<u>(6,641)</u>
NET FIXED ASSETS	<u>\$ 1,006</u>	<u>\$ (1,006)</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE D - NET ASSETS - RESERVED**

Of the \$63,502 of unrestricted net assets the Board has reserved \$3,297 for future unemployment and \$35,342 for future housing projects. The total reservations of \$38,639 is shown as restricted cash in the Statement of Net Assets.

**NOTE E - CONTINGENT LIABILITIES**

The Economic Development Corporation receives significant financial assistance from federal and state agencies in the form of grants. The disbursement of funds from the various programs generally requires compliance with terms and conditions specified in the applicable grant agreement and is subject to examination by the grantor agency. Any disallowed claims resulting from such examination could become a liability of the Economic Development Corporation. Management is not aware of any such claims as of September 30, 2007.

**NOTE F - RISK MANAGEMENT**

The Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. Settled claims resulting from these risks, if any, have not exceeded commercial insurance coverage in any of the past three fiscal years.



**ANDERSON, TACKMAN & COMPANY, PLC**  
CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

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Laura L. Schwalbach, CPA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors of the Schoolcraft County  
Economic Development Corporation  
Manistique, Michigan 49854

We have audited the component unit financial statements of the Schoolcraft County Economic Development Corporation, as of and for the year ended September 30, 2007, and have issued our report thereon dated December 21, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our audit 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 Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

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 Corporation'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 Corporation's financial statements that is more than inconsequential will not be prevented or detected by the Corporation's internal control. We believe the deficiency described below to be a significant deficiency in internal control over financial reporting:

The lack of segregation of duties due to limited personnel.

Board of Directors of the Schoolcraft County  
Economic Development Corporation

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 Corporation's internal control.

Our consideration of 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 internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the Corporation in a separate letter dated December 21, 2007.

This report is intended solely for the information and use of management, the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company P.C.*

Certified Public Accountants

December 21, 2007



**ANDERSON, TACKMAN & COMPANY, PLC**

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### REPORT TO MANAGEMENT

To the Board of Directors and Management of  
Schoolcraft County Economic Development Corporation  
Manistique, Michigan

#### **Audit Committee Communications**

We have audited the component unit financial statements of the Schoolcraft County Economic Development Corporation for the year ended September 30, 2007, and have issued our reports thereon dated December 21, 2007. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

#### Our Responsibility Under U. S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated November 8, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Schoolcraft County Economic Development Corporation. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Corporation's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Board of Directors and Management of  
Schoolcraft County Economic Development Corporation

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Schoolcraft County Economic Development Corporation are described in Note A of the financial statements.

No new accounting policies were adopted and the application of existing policies were not changed during the fiscal year. We noted no transactions entered into by the Schoolcraft County Economic Development Corporation during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Management Judgments and Accounting Estimates

Some accounting estimates are utilized in 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. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute or test the estimates. The most sensitive estimate would be the lives of the fixed assets. This estimate has been made using management's experience with past useful lives of similar assets.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Our audit adjustments, individually and in the aggregate, do have a significant effect on the financial reporting process.

The audit adjustments made that have a significant effect on the financial reporting process were primarily to record receivables and payables as of year-end. These adjustments were reviewed and approved by management and have been posted to the records of the corporation.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction concerning a financial accounting, reporting, or auditing matter 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.

Board of Directors and Management of  
Schoolcraft County Economic Development Corporation

Consultations with Other Independent Accountants

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

Issues Discussed Prior to Retention of Independent Auditors

There were no discussions with management regarding any issues that were a condition to our retention as independent auditors.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

**Comments and Suggestions**

In planning and performing our audit of component unit financial statements of the Schoolcraft County Economic Development Corporation, for the year ended September 30, 2007, we considered the Corporation's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and/or operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated December 21, 2007, on the financial statements of the Schoolcraft County Economic Development Corporation.

We have already discussed many of these comments and suggestions with management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

We would like to express our appreciation for the excellent cooperation we received while performing the audit. If we can be of any assistance in implementing the above recommendations, please contact us.

Board of Directors and Management of  
Schoolcraft County Economic Development Corporation

This report is intended for the information of the Board, the cognizant audit agency, and other audit agencies and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Board, is a matter of public record.

*Anderson, Tackman & Company P.C.*

Certified Public Accountants

December 21, 2007

COMMENTS AND SUGGESTIONS

September 30, 2007

BOARD OVERSIGHT

Because of the limited number of staff available at the Corporation it is our feeling that board oversight over financial activity is of significant importance. We recommend that the Board, or the Finance Committee, review all monthly disbursement activity, bank reconciliations and, on a consistent periodic basis, the documentation backing up the disbursement activity. These steps will help expand the internal controls to mitigate the lack of personnel for complete segregation of duties.

CASH DISBURSEMENTS

We noted during our audit that the cash drawdowns for ongoing projects were not always expended within thirty days as required by state and federal guidelines. We recommend that management make every possible effort to meet this requirement in the future.

GRANT EXPENDITURES

For grant MSC-2006-0749-HO there is a requirement that 15% of the grant was to be expended by the second quarter of the grant term. This benchmark was not attained.



**ANDERSON, TACKMAN & COMPANY, PLC**  
CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
Alan M. Stotz, CPA, Principal  
Raymond B. LaMarche, CPA, Principal  
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA  
Laura L. Schwalbach, CPA

Board of Directors  
Schoolcraft County Economic Development Corporation  
Manistique, Michigan 49854

In planning and performing our audit of the financial statements of the Schoolcraft County Economic Development Corporation (the Corporation) as of and for the year ended September 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Corporation'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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

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 Corporation'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 Corporation's financial statements that is more than inconsequential will not be prevented or detected by the Corporation's internal control. We believe that the following deficiency constitutes a significant deficiency:

The lack of segregation of duties due to limited personnel.

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. However, we believe that none of the significant deficiencies described above constitute a material weakness.

In addition, we noted other matters involving the internal control and its operation that we have reported to management of the Corporation in a separate letter dated December 21, 2007.

This communication is intended solely for the information and use of management, 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.

Board of Directors  
Schoolcraft County Economic Development Corporation  
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*Anderson Jackson & Company P.C.*  
Certified Public Accountants

December 21, 2007