

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 South Haven Regional Airport Authority		County Van Buren	
Fiscal Year End June 30, 2007		Opinion Date September 26, 2007		Date Audit Report Submitted to State October 11, 2007			

We affirm that:

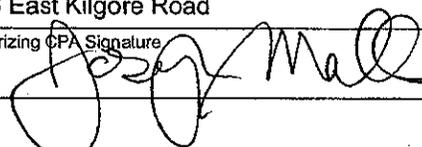
We are certified public accountants licensed to practice in Michigan.

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.)
- 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 type="checkbox"/>			
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112 report		
Certified Public Accountant (Firm Name) Siegfried Crandall PC		Telephone Number (269)381-4970		
Street Address 246 East Kilgore Road		City Kalamazoo	State MI	Zip 49002
Authorizing CPA Signature 		Printed Name Joseph M Walls		License Number 1101013696

South Haven Regional Airport Authority
Van Buren County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended June 30, 2007

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INDEPENDENT AUDITORS' REPORT

**Members of the Board
South Haven Regional Airport Authority**

We have audited the accompanying financial statements of the governmental activities and the major fund of the South Haven Regional Airport Authority as of and for the year ended June 30, 2007, which collectively comprise the Authority's basic financial statements as listed in the contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 and the major fund of the South Haven Regional Airport Authority as of June 30, 2007, and the respective changes in financial position for the year then ended, in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, on page 9, is not a required part of the basic financial statements but is supplementary 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 supplementary information. However, we did not audit the information and express no opinion on it. The South Haven Regional Airport Authority has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Siegfried Crandall P.C.

September 26, 2007

BASIC FINANCIAL STATEMENTS

South Haven Regional Airport Authority

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET

June 30, 2007

	<u>Operating Fund</u>	<u>Adjustments</u>	<u>Statement of net assets</u>
ASSETS			
Current assets:			
Cash	\$ 341,765	\$ -	\$ 341,765
Accounts receivable, net	268,373	-	268,373
Inventory	12,046	-	12,046
Prepaid expense	<u>9,526</u>	<u>-</u>	<u>9,526</u>
Total current assets	<u>631,710</u>	<u>-</u>	<u>631,710</u>
Non-current assets:			
Capital assets not being depreciated	-	278,328	278,328
Capital assets, net of accumulated depreciation	<u>-</u>	<u>3,959,176</u>	<u>3,959,176</u>
Total non-current assets	<u>-</u>	<u>4,237,504</u>	<u>4,237,504</u>
Total assets	<u>\$ 631,710</u>	<u>\$ 4,237,504</u>	<u>4,869,214</u>
LIABILITIES			
Current liabilities - accounts payable	\$ 8,940	\$ -	\$ 8,940
FUND BALANCE/NET ASSETS			
Fund balance - unreserved, undesignated	<u>622,770</u>	<u>(622,770)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 631,710</u>	<u>\$ (622,770)</u>	<u>\$ 8,940</u>
Net assets:			
Investment in capital assets		4,237,504	4,237,504
Unrestricted		<u>622,770</u>	<u>622,770</u>
Total net assets		<u>\$ 4,860,274</u>	<u>\$ 4,860,274</u>
Total fund balance			\$ 622,770
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:			
Capital assets are not financial resources and, therefore, not reported in the fund			<u>4,237,504</u>
Total net assets			<u>\$ 4,860,274</u>

See notes to financial statements

South Haven Regional Airport Authority

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE/STATEMENT OF ACTIVITIES**

Year ended June 30, 2007

	<u>Operating Fund</u>	<u>Adjustments</u>	<u>Statement of activities</u>
EXPENDITURES/EXPENSES			
Public works	\$ 269,023	\$ 113,190	\$ 382,213
Capital outlay	<u>54,448</u>	<u>(54,448)</u>	<u>-</u>
Total expenditures/expenses	<u>323,471</u>	<u>58,742</u>	<u>382,213</u>
PROGRAM REVENUES			
Intergovernmental			
Operations	234,823	-	234,823
Capital	51,996	-	51,996
Charges for services	125,726	-	125,726
Rentals	68,118	-	68,118
Other	<u>3,201</u>	<u>-</u>	<u>3,201</u>
Total program revenues	<u>483,864</u>	<u>-</u>	<u>483,864</u>
NET PROGRAM REVENUES	<u>160,393</u>	<u>(58,742)</u>	<u>101,651</u>
GENERAL REVENUES			
Interest	<u>2,564</u>	<u>-</u>	<u>2,564</u>
NET CHANGE IN FUND BALANCE/NET ASSETS	162,957	(58,742)	104,215
FUND BALANCE/NET ASSETS - BEGINNING	<u>459,813</u>	<u>4,296,246</u>	<u>4,756,059</u>
FUND BALANCE/NET ASSETS - ENDING	<u>\$ 622,770</u>	<u>\$ 4,237,504</u>	<u>\$ 4,860,274</u>
Net change in fund balance			\$ 162,957
Amounts reported in the statement of activities are different because:			
Capital assets:			
Assets acquired, including capital grants of \$51,996			63,343
Provision for depreciation			<u>(122,085)</u>
Change in net assets			<u>\$ 104,215</u>

See notes to financial statements

South Haven Regional Airport Authority
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the South Haven Regional Airport Authority (the Authority) conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies:

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Authority established by Casco Township, City of Bangor, City of South Haven, Covert Township, Geneva Township, and South Haven Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Authority has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the Authority's financial statements.

The City of South Haven has transferred ownership of the South Haven Municipal Airport and all airport facilities owned by the City to the Authority. In the event the Authority ceases to exist, or if the land and other assets are no longer used in airport operations, title to all properties shall revert to the City of South Haven.

b) Basis of accounting:

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

The Operating Fund financial statements are reported using the current financial resources measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

c) Assets and liabilities:

i) Bank deposits - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value.

ii) Capital assets - *Capital assets*, which include land, runways, buildings, equipment, and vehicles, are defined by the Authority as assets with an initial cost of more than \$1,000 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. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

South Haven Regional Airport Authority
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) *Assets and liabilities* (continued):

ii) *Capital assets* (continued) - Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Airport facility	40 - 50 years
Runways and improvements	40 - 50 years
Equipment	10 - 20 years
Vehicles	5 - 10 years

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - The budget is adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by function, department, and line items. The legal level of budgetary control adopted by the governing body is the functional level. Amounts encumbered for purchase orders, contracts, etc., are tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

The following schedule sets forth significant budget variations:

<u>Function</u>	<u>budget</u>	<u>Actual</u>	<u>Variance</u>
Public works	\$ 256,502	\$ 269,023	\$ 12,521
Capital outlay	-	54,448	54,448

NOTE 3 - CASH:

State statutes and the Authority's investment policy authorize the Authority to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Authority's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Authority will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At June 30, 2007, \$226,717 of the Authority's bank balances of \$326,717 was exposed to custodial credit risk because it was uninsured.

The Authority believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

South Haven Regional Airport Authority
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

Receivables as of year end for the Authority's operating fund are as follows:

Accounts	\$	55,223
Intergovernmental		<u>213,150</u>
	\$	<u>268,373</u>

NOTE 5 - CAPITAL ASSETS:

Capital asset activity of the Authority for the current year was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 223,880	\$ -	\$ -	\$ 223,880
Construction in progress	<u>-</u>	<u>54,448</u>	<u>-</u>	<u>54,448</u>
Total capital assets not being depreciated	<u>\$ 223,880</u>	<u>\$ 54,448</u>	<u>\$ -</u>	<u>\$ 278,328</u>
Capital assets being depreciated:				
Buildings	749,523	-	-	749,523
Runways and improvements	4,085,160	4,400	-	4,089,560
Equipment	154,224	4,495	-	158,719
Vehicles	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>35,000</u>
Subtotal	<u>5,023,907</u>	<u>8,895</u>	<u>-</u>	<u>5,032,802</u>
Less accumulated depreciation for:				
Buildings	(165,137)	(15,532)	-	(180,669)
Runways and improvements	(711,439)	(95,467)	-	(806,906)
Equipment	(56,590)	(7,936)	-	(64,526)
Vehicles	<u>(18,375)</u>	<u>(3,150)</u>	<u>-</u>	<u>(21,525)</u>
Subtotal	<u>(951,541)</u>	<u>(122,085)</u>	<u>-</u>	<u>(1,073,626)</u>
Total capital assets being depreciated, net	<u>4,072,366</u>	<u>(113,190)</u>	<u>-</u>	<u>3,959,176</u>
Governmental activities capital assets, net	<u>\$ 4,296,246</u>	<u>\$ (58,742)</u>	<u>\$ -</u>	<u>\$ 4,237,504</u>

South Haven Regional Airport Authority
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - RISK MANAGEMENT:

The Authority 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. The Authority carries commercial insurance for the above risks of loss. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal periods.

REQUIRED SUPPLEMENTARY INFORMATION

South Haven Regional Airport Authority
BUDGETARY COMPARISON SCHEDULE - Operating Fund
Year ended June 30, 2007

	<u>Original and Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES			
Intergovernmental			
Operating	\$ 232,334	\$ 234,823	\$ 2,489
Capital	-	51,996	51,996
Charges for services	85,986	125,726	39,740
Interest and rentals	62,562	70,682	8,120
Other	2,500	3,201	701
	<u>383,382</u>	<u>486,428</u>	<u>103,046</u>
EXPENDITURES			
Public works:			
Cost of sales	109,135	108,760	375
Payroll and fringe benefits	63,934	70,194	(6,260)
Operating supplies and expenses	15,758	10,109	5,649
Repairs and maintenance	43,120	54,254	(11,134)
Professional services	4,560	8,286	(3,726)
Utilities	8,700	9,755	(1,055)
Insurance	11,295	7,665	3,630
	<u>256,502</u>	<u>269,023</u>	<u>(12,521)</u>
Capital outlay	<u>-</u>	<u>54,448</u>	<u>(54,448)</u>
	<u>256,502</u>	<u>323,471</u>	<u>(66,969)</u>
NET CHANGES IN FUND BALANCE	126,880	162,957	36,077
FUND BALANCE - BEGINNING	<u>459,813</u>	<u>459,813</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 586,693</u>	<u>\$ 622,770</u>	<u>\$ 36,077</u>

**Members of the Authority Board
South Haven Regional Airport Authority, Michigan**

In planning and performing our audit of the financial statements of the South Haven Regional Airport Authority as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the South Haven Regional Airport Authority'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 Authority's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with 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 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 deficiency constitutes a material weakness.

- The 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 changes in capital assets, and to present required financial statement disclosures. The Authority has determined that benefits derived from eliminating the above deficiency would not exceed, nor justify, the estimated costs which would be incurred to do so.

This communication is intended solely for the information and use of the Board of Trustees of the South Haven Regional Airport Authority and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Siegfried Crandall P.C.

September 26, 2007