

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

LOCH ALPINE SANITARY AUTHORITY
OF WEBSTER AND SCIO TOWNSHIPS

REPORT ON AUDIT OF
FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

BOARD OF TRUSTEES

James Dries
Neil Gerl
Mary Dee Heller
William Ince
John Kingsley
Charles Nielsen
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AUTHORITY ATTORNEY

Reading, Etter & Lillich

AUTHORITY AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

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December 11, 2007

Board of Trustees
Loch Alpine Sanitary Authority of
Webster and Scio Townships
827 North Zeeb Road
Ann Arbor, Michigan 48103

INDEPENDENT AUDITORS' REPORT

Honorable Board of Trustees:

We have audited the accompanying financial statements of the Loch Alpine Sanitary Authority of Webster and Scio Townships as of and for the year ended June 30, 2007. These financial statements are the responsibility of the Authority Board. Our responsibility is to express an opinion on these financial statements based on the 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the government activities of the Loch Alpine Sanitary Authority of Webster and Scio Townships, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year end in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 6 through 9 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. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Loch Alpine Sanitary Authority of Webster and Scio Townships' basic financial statements. The Supplementary Information presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information have not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

MANAGEMENT
DISCUSSION
AND ANALYSIS

Within this section of the Loch Alpine Sanitary Authority of Webster and Scio Townships' financial report, the Authority's management provides a narrative discussion and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2007. This narrative discusses and analyzes the activity within the context of the financial statements and disclosures which follow this section. [The discussion focuses on the Authority's primary government. Unless otherwise noted, the financial activities of component units are reported separately from the primary government].

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Authority's financial statements. The financial statements include all the statements required by the Governmental Accounting Standards Board (and the notes to the financial statements). The Authority also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The Authority's annual report includes two Authority-wide financial statements. These statements provide both long-term and short-term information about the Authority's overall status. Financial reporting at this level uses a perspective similar to that used in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these statements is the Statement of Net Assets. This is the Authority-wide statement of position presenting information that includes all the Authority's total assets and liabilities the difference reported as net assets. An increasing or decreasing trend in net assets candidate whether the health of the authority is improving or deteriorating. However, one must also consider non-financial factors when determining the health of any entity.

The second government-wide statement is the Statement of Revenues, Expenses and Changes in Net Assets which reports how the Authority's net assets changed during the current fiscal year. This statement shows the financial reliance of the Authority's distinct activities or functions on the revenues generated by the Authority.

The Authority's financial reporting includes all the funds of the Authority (primary government) and, additionally, organizations for which the Authority is accountable (component units). Since the Authority's sole purpose is to operate and manage a water and sewer system, it maintains only one fund, thus it prepares no fund financial statements.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements.

Other information

In addition to the financial statements and accompanying notes, this report also presents certain supplementary information. Other supplementary information includes a budget to actual reconciliation for current year Authority operations.

Financial Analysis of the Authority as a Whole

The Authority's net assets at the end of the fiscal year were \$2,400,894. This is an \$1,368 decrease over last year's net assets of \$2,402,262.

The following tables provide a summary of the Authority's financial activities and changes in net assets:

Summary of Net Assets

	<u>6/30/2007</u>	<u>6/30/2006</u>
Current and other assets	\$ 1,121,173	\$ 1,149,672
Capital assets, net	<u>1,302,076</u>	<u>1,268,985</u>
Total assets	<u>2,423,249</u>	<u>2,418,657</u>
Accounts payable	14,255	8,295
Deposits	<u>8,100</u>	<u>8,100</u>
Total liabilities	<u>22,355</u>	<u>16,395</u>
Net assets:		
Invested in capital assets, net of related debt	1,302,076	1,268,985
Unrestricted	<u>1,098,818</u>	<u>1,133,277</u>
Total net assets	<u>\$ 2,400,894</u>	<u>\$ 2,402,262</u>

Summary of Changes in Net Assets

	6/30/2007	6/30/2006
Operating revenues	\$ 449,890	\$ 433,834
Operating expenses		
General	231,593	227,823
Sewer	168,993	111,518
Water	128,976	66,590
Total operating expenses	529,562	405,931
Operating income (loss)	(79,672)	27,903
Non-operating revenues (expenses)		
Loss on disposal of capital assets	(360)	
Grant income	40,680	
Interest income	37,984	30,846
Total non-operating revenues (expenses)	78,304	30,846
Net income (loss) before capital contributions	(1,368)	58,749
Capital contributions		
Connection fees		28,125
Change in net assets	(1,368)	86,874
Beginning net assets	2,402,262	2,315,388
Ending net assets	\$ 2,400,894	\$ 2,402,262

Revenues from operations increased by 3% from the prior fiscal year, while operating expenses increased by 30%.

As a result, net income decreased from \$86,874 for the year ended June 30, 2006 to a loss of \$1,368 for the year ended June 30, 2007. Additionally, a total of \$92,093 was spent on acquiring and improving the Authority's capital assets.

Capital and Debt Administration

As of June 30, 2007, the Authority did not have any outstanding long-term debt in the form of bonds or loans payable.

The Authority spent \$92,093 on acquiring capital primarily for costs associated with upcoming construction projects.

Economic Factors and Next Year's Goals

The Authority's financial outlook remains strong. The population in the service area is expected to remain constant or to slowly increase to slowly rising, (with two new users added during the fiscal year). Nearly one-half of the authority's net assets are in cash or marketable securities. Further, the Authority is unencumbered by debt.

On September 20, 2007 the Authority sold \$2,200,000 of limited tax general obligation bonds to finance various sewer improvement projects. The bond debt was financed over 20 years with an interest rate of 1.625%. The first bond payment is not due until October 1, 2008.

The Authority will use a quarterly charge to meet the bond debt requirements. If the Authority has insufficient funds to pay for this debt the member townships, Scio Township and Webster Township, will be required to fund this debt based upon an approved percentage of the project.

Contacting the Authority's Financial Management

This report is designed to provide a general overview of the Authority's financial position and comply with finance-related regulations. If you have further questions about this report or request for additional information, please contact the Authority at 827 North Zeeb Road, Ann Arbor, Michigan 48103.

BASIC
FINANCIAL
STATEMENTS

LOCH ALPINE SANITARY AUTHORITY OF WEBSTER AND SCIO TOWNSHIPS
STATEMENT OF NET ASSETS
JUNE 30, 2007

<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 920,691	
Accounts receivable	174,755	
Prepaid expenses	<u>25,727</u>	
Total current assets		\$ 1,121,173
CAPITAL ASSETS		
Land	23,500	
Office equipment	7,185	
Equipment	213,197	
Water and sewer system	1,110,761	
Iron removal plant	643,423	
Construction in progress	<u>82,504</u>	
	2,080,570	
Less accumulated depreciation	<u>(778,494)</u>	
Capital assets, net		<u>1,302,076</u>
Total assets		2,423,249
 <u>LIABILITIES</u>		
CURRENT LIABILITIES		
Account payable	14,255	
Deposits	<u>8,100</u>	
Total liabilities		<u>22,355</u>
 <u>NET ASSETS</u>		
NET ASSETS		
Invested in capital assets	1,302,076	
Unrestricted	<u>1,098,818</u>	
Total net assets		<u><u>\$ 2,400,894</u></u>

The notes are an integral part of the financial statements.

LOCH ALPINE SANITARY AUTHORITY OF WEBSTER AND SCIO TOWNSHIPS
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

OPERATING REVENUES		
Water and sewer billings	\$ 444,361	
Other charges for services	<u>5,529</u>	
Total operating revenues		\$ 449,890
OPERATING EXPENSES		
GENERAL		
Management services	124,284	
Administration expenses	13,321	
Office supplies	798	
Printing and advertising	4,174	
Legal fees	13,796	
Postage and freight	1,283	
Audit fees	5,540	
Consulting fees	371	
Accounting services	19,147	
Insurance	40,405	
Repairs and maintenance	4,055	
Telephone	3,287	
Utilities	798	
Miscellaneous	334	
SEWER		
Repairs and maintenance	28,397	
Consulting fees	70,179	
Supplies	20,295	
Utilities	9,135	
Depreciation	28,773	
Permits	2,941	
Sludge removal	8,473	
Lab testing	800	
WATER		
Repairs and maintenance	62,885	
Consulting fees	8,822	
Utilities	15,085	
Depreciation	29,870	
Supplies	9,441	
Permits and testing	<u>2,873</u>	
Total operating expenses		<u>529,562</u>
Operating (loss)		(79,672)
NON-OPERATING REVENUES (EXPENSES)		
Loss on disposition of capital assets	(360)	
Grant income	40,680	
Interest income	<u>37,984</u>	
Total non-operating revenues (expenses)		<u>78,304</u>
Changes in net assets		(1,368)
NET ASSETS, JULY 1, 2006		<u>2,402,262</u>
NET ASSETS, JUNE 30, 2007		<u>\$ 2,400,894</u>

The notes are an integral part of the financial statements.

LOCH ALPINE SANITARY AUTHORITY OF WEBSTER AND SCIO TOWNSHIPS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007

CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	
Receipts from customers	\$ 441,334
Payments to vendors	<u>(460,701)</u>
Net cash (used in) operating activities	\$ (19,367)
CASH FLOWS FROM (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to system	(92,093)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from operating	<u>37,984</u>
Net (decrease) in cash and cash equivalents	(73,476)
CASH AND CASH EQUIVALENTS AT JULY 1, 2006	<u>994,167</u>
CASH AND CASH EQUIVALENTS AT JUNE 30, 2007	<u>\$ 920,691</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating (loss)	\$ (79,672)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation expense	58,643
Changes in assets and liabilities	
Receivables, net	(8,556)
Prepaid expenditures	4,258
Accounts and other payables	<u>5,960</u>
Net cash provided (used) operating activities	<u>\$ (19,367)</u>

The notes are an integral part of the financial statements.

NOTES
TO
FINANCIAL
STATEMENTS

LOCH ALPINE SANITARY AUTHORITY OF WEBSTER AND SCIO TOWNSHIPS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - DESCRIPTION OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF ENTITY - The Authority was formed by Webster and Scio Townships in May 1957 under Act No. 233 of the Public Acts of 1955. The purpose of the Authority is to acquire, own, extend, improve and operate a sewage disposal system and a water supply system.

A. SIGNIFICANT ACCOUNTING POLICIES

The accounts of the Authority are organized on the basis of a proprietary fund type, specifically an Enterprise Fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the Authority's assets, liabilities, net assets, revenues, and expenses. Enterprise funds account for activities:

1. That are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or
2. That are required by laws or regulations that the activity's costs of providing service, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar reviews; or
3. That the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

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

B. MEASUREMENT FOCUS

The financial activities of the Authority are accounted for on a flow of economic resources measurement focus, using the accrual basis of accounting. Under this method, all assets and liabilities associated with its operations are included on the statement of net assets; revenues are recorded when earned, and expenses are recorded when liabilities are incurred.

C. CASH AND CASH EQUIVALENTS

The Authority considers its deposits and restricted deposits and investments held with maturities of three months or less are considered to be cash equivalents.

D. CAPITAL ASSETS

Capital assets are stated at cost. Depreciation and amortization are computed using the straight-line method based on the estimated useful lives of the related assets, which range from 5 to 40 years for equipment and 5 to 40 years for buildings, structures, and improvements.

E. CONSTRUCTION-IN-PROGRESS

The costs of acquisition and construction of major plant and equipment is recorded as construction-in-progress. As facilities are accepted by the Authority and become operative, they are transferred to the facilities and improvements or machinery and equipment accounts and depreciated in accordance with the Authority's depreciation policies. Costs of construction projects that are discontinued are recorded as expense in the year in which the decision is made to discontinue such projects.

LOCH ALPINE SANITARY AUTHORITY OF WEBSTER AND SCIO TOWNSHIPS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - DESCRIPTION OF ENTITY AND SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES - (continued)

F. CAPITALIZATION OF INTEREST

A portion of the interest cost incurred on capital projects is capitalized on assets that require a period of time for construction or to otherwise prepare them for their intended use. Such amounts are amortized over the useful lives of the assets.

G. PREMIUM AND ISSUANCE COSTS

Bond discount, premium, and issuance costs are amortized over the term of the related bonds. No bonds were outstanding or issued during the year ended June 30, 2007.

H. INCOME TAXES

As a government agency, the Authority is exempt from both federal income taxes and Michigan Single Business Tax.

NOTE 2 - MANAGEMENT'S 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 disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 - BUDGETARY DATA

The Authority follows these procedures in establishing its budgetary data:

1. The Authority prepares the annual operating budget and submits copies to the Webster and Scio Township Boards.
2. Public hearings are conducted to obtain Authority customers' comments.
3. The budget is legally adopted by approval of the members of the Authority's board.
4. Rate increases must be approved by the members of the Authority's board.

LOCH ALPINE SANITARY AUTHORITY OF WEBSTER AND SCIO TOWNSHIPS
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2007

NOTE 4 - DEPOSITS WITH FINANCIAL INSTITUTIONS

Michigan Compiled Laws, Section 129.91, authorizes the Authority to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Authority deposits are in accordance with statutory authority. The Authority maintains an imprest petty cash of \$100.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Authority's deposits are as follows:

<u>Deposits</u>	<u>Amount</u>	<u>Bank Balance</u>
Insured	\$ 100,000	\$ 100,000
Uninsured and uncollateralized	<u>820,591</u>	<u>820,591</u>
	<u>\$ 920,591</u>	<u>\$ 920,591</u>

NOTE 5 - STATEMENT OF CASH FLOWS

Pursuant to the Governmental Accounting Standards Board (GASB) statement number 9, a statement of cash flows is presented. The purpose of the statement of cash flows is to explain the change in cash and cash equivalents during the year. Cash equivalents are defined as short-term, highly liquid investments with original maturities of three months or less. The direct method was utilized to present cash flows from operations. The following summarizes beginning and ending cash and cash equivalents:

Current assets		
Cash	\$ 918,486	\$ 854,031
Reserved current		
Cash and cash equivalents	<u>75,681</u>	<u>66,660</u>
Total cash and cash equivalents	<u>\$ 994,167</u>	<u>\$ 920,691</u>
Reserved cash at beginning of year		\$75,681
Current year capital acquisitions		(92,013)
Reserved utility billing		<u>82,992</u>
Reserved cash at end of year		<u>\$ 66,660</u>

LOCH ALPINE SANITARY AUTHORITY OF WEBSTER AND SCIO TOWNSHIPS
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2007

NOTE 6 - CAPITAL ASSETS

The following is a schedule of capital asset activity for the year ended June 30, 2007:

	Balance 7/1/2006	Additions	Deletions	Balance 6/30/2007
Land	\$ 23,500	\$	\$	\$ 23,500
Office equipment	9,343	2,687	4,845	7,185
Equipment	194,059	21,240	2,102	213,197
Water and sewer system	1,110,761			1,110,761
Iron removal plant	643,423			643,423
Totals	\$ 1,981,086	\$ 23,927	\$ 6,947	\$ 1,998,066
ACCUMULATED DEPRECIATION				
Water and sewer system	\$ 726,439	\$ 58,643	\$ 6,588	\$ 778,494
CONSTRUCTION IN PROGRESS	\$ 14,338	\$ 68,166	\$	\$ 82,504

Depreciation is computed using the straight line method. Useful lives of the proprietary assets are as follows:

- | | |
|-----------------------------|--------------|
| 1. Buildings | 25 years |
| 2. Machinery and equipment | 5 - 10 years |
| 3. Office equipment | 5 - 10 years |
| 4. Services - water & sewer | 5 - 10 years |
| 5. Systems | 5 - 10 years |

There was no debt outstanding as of June 30, 2007 that was associated with any capital assets.

LOCH ALPINE SANITARY AUTHORITY OF WEBSTER AND SCIO TOWNSHIPS
NOTES OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 7 - CONTINGENCIES

The Authority is involved in various legal actions arising in the normal course of business. In the opinion of management, such matters will not have a material effect upon the financial position of the Authority.

NOTE 8 - 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; and natural disasters. The Authority maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 9 - SEWER BILLINGS

The system currently has 533 users that are billed quarterly for sewer service. Users are billed 7.95 per 1,000 gallons and \$39 quarterly for debt service/capital replacement.

NOTE 10 - MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY

The Authority was a recipient of a \$40,680 grant by the Michigan Department of Environmental Quality. The grant funds were used to fund various sewer projects. The Authority was required to match 10% of the state funds for the project. The grant was completed subsequent to the fiscal year, but remains open for state compliance audits. All funds received were state funds.

NOTE 11 - SUBSEQUENT EVENTS

On September 20, 2007 the Authority sold \$2,200,000 of limited tax general obligation bonds to finance various sewer improvement projects. The bond debt was financed over 20 years with an interest rate of 1.625%. The first bond payment is not due until October 1, 2008.

The Authority will use a quarterly charge to meet the bond debt requirements. If the Authority has insufficient funds to pay for this debt the member townships, Scio Township and Webster Township, will be required to fund this debt based upon an approved percentage of the project.

NOTE 12 - SEGMENT INFORMATION

Selected financial information is as follows:

Operating revenue	\$	444,361
Depreciation		58,643
Total assets		2,423,249
Total fund equity		2,400,894
Net change in net assets		(1,368)

SUPPLEMENTARY
INFORMATION

LOCH ALPINE SANITARY AUTHORITY OF WEBSTER AND SCIO TOWNSHIPS
SCHEDULE OF OPERATIONS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES & RECEIPTS			
Water and sewer billings	\$ 411,000	\$ 444,361	\$ 33,361
Interest earned	25,000	37,984	12,984
Other charges for services	250	5,529	5,279
	<u> </u>	<u> </u>	<u> </u>
Total revenues and receipts	<u>\$ 436,250</u>	<u>\$ 487,874</u>	<u>\$ 51,624</u>
EXPENSES AND DISBURSEMENTS			
GENERAL			
Management services	\$ 123,000	\$ 124,284	\$ (1,284)
Administration expenses	14,000	13,321	679
Office supplies	2,500	798	1,702
Printing and advertising	800	4,174	(3,374)
Legal fees	7,500	13,796	(6,296)
Postage and freight	1,400	1,283	117
Audit fees	5,300	5,540	(240)
Consulting fees	7,000	371	6,629
Accounting services	20,000	19,147	853
Insurance	38,000	40,405	(2,405)
Repairs and maintenance	8,500	4,055	4,445
Telephone	3,000	3,287	(287)
Utilities	1,200	798	402
Miscellaneous	3,200	334	2,866
SEWER			
Repairs and maintenance	50,000	28,397	21,603
Consulting fees	5,000	70,179	(65,179)
Supplies	18,000	20,295	(2,295)
Utilities	15,000	9,135	5,865
Depreciation	35,000	28,773	6,227
Miscellaneous	3,000	800	2,200
Permits	4,000	2,941	1,059
Sludge removal	10,000	8,473	1,527
WATER			
Repairs and maintenance	25,000	62,885	(37,885)
Consultant fees	5,000	8,822	(3,822)
Utilities	20,000	15,085	4,915
Depreciation	35,000	29,870	5,130
Supplies	6,000	9,441	(3,441)
Permits and testing	7,000	2,873	4,127
	<u> </u>	<u> </u>	<u> </u>
Total expenses and disbursements	<u>\$ 473,400</u>	<u>\$ 529,562</u>	<u>\$ (56,162)</u>

This schedule is prepared on a budgetary basis for the operating accounts of the enterprise fund and as such does not present the results of operations on the basis of generally accepted accounting principles but is presented for supplemental information.



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December 5, 2007

Board of Trustees
Loch Alpine Sanitary Authority of Webster and Scio Townships
827 North Zeeb Road
Ann Arbor, Michigan 48103

Honorable Board of Trustees:

In planning and performing our audit of the financial statements of the Loch Alpine Sanitary Authority of Webster and Scio Townships for the year ended June 30, 2007, we came across some items which we are bringing to your attention for discussion. Those items are as follows:

CASH DISBURSEMENTS

We found various issues regarding the policies/practices of cash disbursements:

- Payments were being made using vendor statements as the basis for the amount paid. These payments should always be made using an original approved invoice.
- Some payments have no detail attached to the check copy. All payments should have an original invoice attached detailing the items to be paid.
- Most invoices are not signed off by a responsible individual. The State of Michigan now requires a responsible individual to sign off on invoices that are to be paid. The Authority should designate individuals to do this, but should not be approving their own reimbursements.

This report is intended solely for the information and use of the Authority Board and is not intended to be and should not be used by any other party.

We would like to thank the Authority for the cooperation and assistance provided during the audit. If you should have any questions, comments or concerns please let us know.

Pfeffer, Hanniford & Palka, P.C.

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