

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: Western Oakland County Trailway Management Council	County Oakland
Audit Date December 31, 2003	Opinion Date May 6, 2004	Date Accountant Report Submitted To State: June 18, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): Plante & Moran, PLLC			
Street Address 27400 Northwestern Highway	City Southfield	State MI	ZIP 48034
Accountant Signature <i>Plante & Moran, PLLC</i>			

**Western Oakland County
Trailway Management Council
Oakland County, Michigan**

**Financial Report
December 31, 2003**

Western Oakland County Trailway Management Council

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Plante & Moran, PLLC
27400 Northwestern Highway
P.O. Box 307
Southfield, MI 48037-0307
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

Independent Auditor's Report

Western Oakland County
Trailway Management Council
Oakland County, Michigan

We have audited the accompanying general purpose financial statements of the Western Oakland County Trailway Management Council as of December 31, 2003 and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Council'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. 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.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Western Oakland County Trailway Management Council as of December 31, 2003 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

May 6, 2004

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Western Oakland County Trailway Management Council

Combined Balance Sheet - All Fund Types December 31, 2003

	Governmental Fund Type		Totals (Memorandum Only)
	General Fund	Capital Projects Fund	
Assets			
Cash (Note 3)	\$ 1,208	\$ -	\$ 1,208
Due from members:			
City of South Lyon	-	8,018	8,018
Charter Township of Lyon	-	8,018	8,018
Charter Township of Milford	-	8,018	8,018
Huron-Clinton Metropolitan Authority	-	8,018	8,018
Amount on deposit at the City of South Lyon	-	29,401	29,401
Total assets	\$ 1,208	\$ 61,473	\$ 62,681
Liabilities and Fund Equity			
Liabilities - Accounts payable	\$ -	\$ 61,473	\$ 61,473
Fund Equity - Fund balances - Unreserved and undesignated	1,208	-	1,208
Total liabilities and fund equity	\$ 1,208	\$ 61,473	\$ 62,681

Western Oakland County Trailway Management Council

Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - All Governmental Fund Types Year Ended December 31, 2003

	General Fund	Capital Projects Fund	Totals (Memorandum Only)
Revenue			
ISTEA grant	\$ -	\$ 5,196	\$ 5,196
Contributions:			
City of South Lyon	-	8,018	8,018
Charter Township of Lyon	-	8,018	8,018
Charter Township of Milford	-	8,018	8,018
Huron-Clinton Metropolitan Authority	-	8,018	8,018
Interest and miscellaneous income	<u>57</u>	<u>578</u>	<u>635</u>
Total revenue	57	37,846	37,903
Expenditures			
Professional services	-	41,094	41,094
Contractual services	-	53,889	53,889
Audit	-	5,000	5,000
Miscellaneous	<u>585</u>	<u>-</u>	<u>585</u>
Total expenditures	<u>585</u>	<u>99,983</u>	<u>100,568</u>
Excess of Expenditures Over Revenue	(528)	(62,137)	(62,665)
Fund Balances - Beginning of year	<u>1,736</u>	<u>62,137</u>	<u>63,873</u>
Fund Balances - End of year	<u>\$ 1,208</u>	<u>\$ -</u>	<u>\$ 1,208</u>

Western Oakland County Trailway Management Council

Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual General and Capital Projects Funds Year Ended December 31, 2003

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenue			
ISTEA grant	\$ -	\$ 5,196	\$ 5,196
Contributions:			
City of South Lyon	5,000	8,018	3,018
Charter Township of Lyon	5,000	8,018	3,018
Charter Township of Milford	5,000	8,018	3,018
Huron-Clinton Metropolitan Authority	5,000	8,018	3,018
Interest and miscellaneous income	-	635	635
Total revenue	20,000	37,903	17,903
Expenditures			
Professional services	5,300	41,094	(35,794)
Contractual services	-	53,889	(53,889)
Legal and easement acquisition	10,000	-	10,000
Insurance and bonds	5,500	-	5,500
Community promotions	1,000	-	1,000
Audit	5,000	5,000	-
Miscellaneous	-	585	(585)
Total expenditures	26,800	100,568	(73,768)
Excess of Expenditures Over Revenue	(6,800)	(62,665)	(55,865)
Fund Balances - Beginning of year	156,498	63,873	(92,625)
Fund Balances - End of year	\$ 149,698	\$ 1,208	\$ (148,490)

Western Oakland County Trailway Management Council

Notes to Financial Statements December 31, 2003

Note 1 - Nature of Entity

Western Oakland County Trailway Management Council (the "Council") was formed through an interlocal agreement between the Townships of Lyon and Milford, the City of South Lyon, and the Huron-Clinton Metropolitan Authority (the "Parties"). The Council was created pursuant to Act 7, Michigan Public Acts of 1967 and Act 451, Michigan Public Acts of 1994. Its purpose is to develop, construct, and manage the trailways in the member communities.

Note 2 - Significant Accounting Policies

The accounting policies of the Council conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies:

Reporting Entity

The Council is governed by an appointed four-member Council. In accordance with accounting principles generally accepted in the United States of America, the Council has no component units.

Fund Accounting

The accounts of the Council are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The funds are grouped into generic governmental fund types as follows:

General Fund - The General Fund contains the records of the ordinary activities of the Council that are not accounted for in another fund. General Fund activities are financed by contributions from the four parties that participate in the interlocal agreement, as well as revenue from state grants and other sources.

Capital Projects Fund - The Capital Projects Fund is used to account for the development of trailways in the member communities. The Capital Projects Fund is administered by the City of South Lyon on behalf of the Council.

Basis of Accounting

The modified accrual basis of accounting is used. Modifications in such method from the accrual basis are as follows:

- Revenue that is both measurable and available for use to finance operations of the Council is recorded as revenue when earned. Other revenue is recorded when received.

Western Oakland County Trailway Management Council

Notes to Financial Statements December 31, 2003

Note 2 - Significant Accounting Policies (Continued)

Fixed Assets - The assets constructed by the Council will be owned and maintained by the Parties. Therefore, the assets are recorded in the accounting records of the Parties and are not included in these financial statements.

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.

Memorandum-only Totals - The total data presented is the aggregate of the fund types and is presented for analysis purposes only. No consolidating or other eliminations were made in arriving at the totals; therefore, they do not present consolidated information.

Note 3 - Deposits

The deposits of the Council consist of the following:

Cash	\$ 1,208
Amount on deposit at the City of South Lyon	<u>29,401</u>
Total	<u>\$ 30,609</u>

The Council's deposits are reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$30,609 for the year ended December 31, 2003, which was fully covered by federal depository insurance. The Council believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits.

Note 4 - Risk Management

The Council is exposed to various risks of loss related to property loss, torts, and errors and omissions. The Council has purchased commercial insurance for these losses. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Western Oakland County Trailway Management Council

Notes to Financial Statements December 31, 2003

Note 5 - Budget Information

The Council adopts one annual budget, which combines revenue and expenditures estimated to be recorded in both the General Fund and the Capital Projects Fund. The amounts included in the budget represent total revenue and expenditures anticipated to complete the trailway project. Revenue and expenditures related to this budget are prepared and adopted by the Council and submitted to the participating parties. Subsequent amendments are adopted by the Council.

Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2003 has not been calculated. For the year ended December 31, 2003, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, except that the budget was developed based on total estimated project expenditures, rather than estimated expenditures for the General and Capital Projects Funds. The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. During the current year, expenditures exceeded budget primarily because of expenditures related to a lawsuit and settlement that were finalized and recorded subsequent to year end. A comparison of actual results of operations to the budget at the activity level adopted by the Council is included in the financial statements.

Note 6 - New Reporting Model

For the year beginning January 1, 2004, the Council will be subject to GASB Statement No. 34. This will revise the information being reported in these financial statements. The Council will continue to report information by individually significant fund; however, the Council will also report its activity in total on the full accrual basis of accounting.

Information is not available to present pro forma data that would show the effect of this future change.

May 16, 2004

Western Oakland County Trailway
Management Council
Oakland County, MI

Dear Council Members:

We have recently completed our audit of the Council's financial statements for the year ended December 31, 2003. As a result of our engagement, we offer the following comments for your consideration:

Financial Reporting Procedures

As reported to you in the prior year, the financial reporting the Council is maintained in two locations. The majority of the activity, including construction is tracked by the City of South Lyon within a specific capital improvement fund. This activity is reported on a June 30 year end. The remainder of the activity, comprised of an interest bearing account is tracked by the Council. This activity is reported on a December 31 year end. For purposes of the audit, all activity was reported on a December 31 year end, requiring the compiling of information from the City of South Lyon's various fiscal years. Maintaining the financial reporting in two locations has made it difficult to gain a comprehensive understanding of the activity of the Council throughout the year. It is our understanding that this difficulty will be eliminated subsequent to year end, as the Council will consolidate its activities and eliminate the activity with the City of South Lyon.

Budgeting

The Council budgets activity on a yearly basis. This budget is approved, however due to the current difficulty of tracking the comprehensive activity of the Council, actual revenues and expenditures are not compared to the budgeted amounts on a regular basis. We suggest that the comprehensive activity of the Council be compared to the budget on a monthly or quarterly basis.

We would like to thank the various members of the Council for the courtesy and assistance extended to us during the audit. We would be happy to answer any questions or concerns you have regarding the annual financial report and the above comments and recommendations at your convenience.

Very truly yours,

PLANTE & MORAN, PLLC

A handwritten signature in black ink, appearing to read "Les Pulver". The signature is written in a cursive, flowing style.

Leslie J. Pulver