

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 Southern Lakes Regional Metropolitan Parks	County Genesee
Fiscal Year End 12/31/07	Opinion Date 5/8/08	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

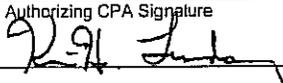
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

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 checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Lewis & Knopf, P.C.	Telephone Number 810-238-4617		
Street Address 5206 Gateway Centre - Ste 100	City Flint	State MI	Zip 48507
Authorizing CPA Signature 	Printed Name Kim H. Lindsay, CPA	License Number 110101843	

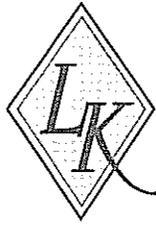
SOUTHERN LAKES REGIONAL METROPOLITAN
PARKS AND RECREATION DISTRICT

GENESEE COUNTY, MICHIGAN

AUDIT REPORT FOR THE YEAR ENDED DECEMBER 31, 2007

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Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

May 8, 2008

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of
Southern Lakes Regional Metropolitan Parks and Recreation District

We have audited the accompanying financial statements of the governmental activities and major fund of Southern Lakes Regional Metropolitan Parks and Recreation District (the "District") as of and for the year ended December 31, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic 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 Southern Lakes Regional Metropolitan Parks and Recreation District at December 31, 2007 and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedule, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. 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 District's basic financial statements. The introductory section and other supplemental information, as identified in the table of contents, are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

SOUTHERN LAKES REGIONAL METROPOLITAN PARKS AND RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007

Our discussion and analysis of Southern Lakes Regional Metropolitan Parks and Recreation District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2007. Please read it in conjunction with the District's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended December 31, 2007:

- * The District's fund balance increased by \$2,101.
- * Total net assets related to the District's governmental activities increased by \$12,102. However, the unrestricted portion of the net assets increased by \$2,101.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the District's operations in more detail than the government-wide financial statements.

The District as a Whole

The following table shows, in a condensed format, the current year's net assets and changes in net assets, compared to the prior year:

	2007	2006
Current Assets	\$732,548	\$708,887
Capital Assets - Net of Depreciation	43,923	34,968
Total Assets	\$776,471	\$743,855
 Current Liabilities	 552,317	 531,803
 Net Assets		
Invested in Capital Assets - Net of Related Debt	43,923	34,968
Unrestricted	180,231	177,084
 <u>TOTAL NET ASSETS</u>	 \$224,154	 \$212,052

The governmental net assets increased 5 percent from a year ago - increasing from \$212,052 to \$224,154.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations - increased by \$2,101 for the governmental activities. This represents an increase of approximately 1 percent. The current level of unrestricted net assets for governmental activities stands at \$180,231 or about 18 percent of expenditures.

SOUTHERN LAKES REGIONAL METROPOLITAN PARKS AND RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007

The District as a Whole (Continued)

The following table shows the changes in the net assets during the current year and as compared to the prior year:

	2007	2006
Revenue		
Program Revenue		
Charges for Services	\$472,010	\$350,028
Operating Grants	8,000	12,500
General Revenue		
Property Taxes	451,756	422,368
Investment Earnings	18,208	15,281
Miscellaneous	35,307	35,416
Total Revenue	\$985,281	\$835,593
 Program Expenses		
Recreation	973,179	792,440
 <u>CHANGE IN NET ASSETS</u>	\$12,102	\$43,153

The commission's total governmental revenues increased by \$149,688, due to an expansion of programming, property taxes, interest income, and other revenues and an increase in the number of programs offered. The charges for service, which are the fees charged for the programs, increased due to the expansion of programs via the undertaking of the Fenton Community School Community Education programs. Property taxes increased due to the increase in the taxable value. Interest income increased due to market interest rates being on the rise. The other revenue is revenue received as contributions for a specific program.

Expenses increased by \$180,739 during the year. The increase is directly related to the expansion of programs for Fenton Community School Community Education programs.

The District's Funds

Our analysis of the District's only fund, the general fund, begins on page 1.

General Fund Budgetary Highlights

Overall, the District stayed within budget, except for capital outlay and program administration. The General Fund's fund balance increased by \$2,101, from \$185,063 to \$187,164.

OPERATING FUND BUDGET VS. ACTUAL

	Original Budget	Final Budget	Actual	Variance Original & Final Budget %	Variance Actual & Final Budget %
Revenues	\$968,615	\$968,615	\$985,281	0.00	1.72
Expenditures	960,368	964,118	983,180	0.39	1.98
<u>TOTAL</u>	\$8,247	\$4,497	\$2,101		

SOUTHERN LAKES REGIONAL METROPOLITAN PARKS AND RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007

Capital Asset

As a result of GASB 34 implementation, the District adopted a capitalization policy of \$2,500 for administrative equipment and \$2,000 for recreation equipment. Capital asset activity for the year ended December 31, 2007, was as follows:

	Balance Jan. 1, 2007	Additions	Deductions	Balance Dec. 31, 2007
GOVERNMENTAL ACTIVITIES				
Office Equipment	\$35,839	\$0	\$0	\$35,839
Recreation Equipment	33,538	0	0	33,538
Vehicles	24,111	21,678	0	45,789
Totals at Historical Cost	\$93,488	\$21,678	\$0	\$115,166
Less: Accumulated Depreciation	(58,520)	(12,723)	0	(71,243)
GOVERNMENTAL ACTIVITIES				
<u>CAPITAL ASSETS - NET</u>	<u>\$34,968</u>	<u>\$8,955</u>	<u>\$0</u>	<u>\$43,923</u>

Debt

A summary of the debt outstanding at the District is as follows:

	Balance Jan. 1, 2007	Additions	Deductions	Balance Dec. 31, 2007
Governmental Activities:				
Compensated Absences	\$7,979	\$0	\$1,046	\$6,933

The compensated absences represent the estimated liability to be paid employees under the District's sick and vacation pay policy. Under the District's policy, employees earn vacation time based on time of service with the District.

Profile of the Southern Lakes Regional Metropolitan Parks and Recreation District (SLP&R)

SLP&R was established in November 2000 by a vote of the residents of Fenton Township and the Cities of Linden and Fenton. SLP&R is legally established under Michigan Compiled Law (MCL) P.A. 312 of 1929. The SLP&R service area is located in the southern part of Genesee County. SLP&R is supported by an operating millage of .4 mills adjusted for Headlee amendment rollbacks (on both real and personal property) and program/activity fees. In addition, SLP&R staff pursue local, state, and federal grant dollars for a variety of programs and projects. MCL P.A. 312 of 1929 also empowers SLP&R to bond and acquire property for the purpose of creating and managing a system of parks and facilities.

Policy-making authority is vested in a board consisting of six commissioners - two appointed from each municipality. The board is responsible for establishing organizational goals, adopting the annual budget, and hiring the executive director. The executive director is responsible for carrying out the policies of the board, for overseeing the day-to-day operations of SLP&R, and for hiring employees. Commissioners are appointed on a non-partisan basis and serve without pay. Board members serve three-year terms, with two board members appointed every year by the municipal governments in which they hold residency. Elected officials and employees of the representative governments may not be appointed to the District.

SLP&R provides recreation, athletic, enrichment and cultural programs to residents. Nineteen percent of the annual millage levy provides financial support to the Loose Senior Center and is remitted directly to the Center.

The annual budget serves as the foundation for SLP&R's financial planning and control. The executive director presents this proposed budget to the board for review prior to October 31. The board is required to adopt a final budget no later than 60 days prior to the start of the fiscal year, which is January 1. The budget to actual comparisons are provided in this report.

SOUTHERN LAKES REGIONAL METROPOLITAN PARKS AND RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which SLP&R operates.

Local Economy

SLPR currently enjoys a favorable economic environment and local indicators point to continued stability. The southern portion of Genesee County is the fastest growing part of the county and a desirable living area for professionals working in the Detroit/Ann Arbor areas. In addition, more "big box" chains are establishing themselves along U.S. 23, which basically cuts the SLP&R service area in half. The large number of lakefront homes provides a higher standard of living than may be seen in other parts of the county, thus providing a growing tax base with which to fund the District's services.

Long-Term Financial Planning

The newness of SLP&R gives way for large growth opportunities. Since 2000, SLP&R has focused its attention on the development of recreation and enrichment programming, special seasonal events, and cooperative endeavors with local service clubs and youth organizations. SLP&R will continue to develop new programming as the market requires and has begun investigating park development and management. Management has identified that the local parks (currently managed and maintained by local municipalities) need modernization to meet the demands of its growing residency. SLP&R, through staff and board level visioning sessions, is in the first stages of developing a parks and facility philosophy.

Cash Management Policies and Practices

The District has an approved investment policy that restricts investments to CDs in any of three local banking establishments in the area. Management develops an operating budget based on the expected revenues of the upcoming fiscal year. Fund equity (or fund balance) is maintained at approximately 15 percent of the yearly operating budget. Designated funds for certain programs also exist in order to maintain start-up cash for yearly activities. Current returns on CD investments are approximately 4 percent.

Risk Management

Since its inception in 2000, SLP&R has put a portion of the millage collection into cash reserves. In addition, SLP&R takes part in yearly visits from its workers' compensation and liability carrier's risk management specialist. Staff also takes part in safety training that includes first-aid and adult/child CPR. SLP&R is also part of the Lake Fenton School District safety plan management team.

Pension and Other Employee Benefits

SLP&R provides full-time, salaried employees with a SIMPLE IRA, matching employees' contributions up to 6 percent of gross wages. The employees receive 6 percent to 15 percent of gross wages (depending on years of service) as an additional pension benefit in the form of additional compensation. Employees may select the financial institution of their choice with contributions made to their individual accounts biweekly.

SLP&R provides medical, dental, and vision benefits to full-time, salaried employees

Economic Factors and Next Year's Budget And Rates

The District's 2008 adopted budget is as follows:

REVENUE	\$1,025,569
EXPENDITURES	<u>978,761</u>
<u>NET (UNDER) BUDGET</u>	<u><u>\$46,808</u></u>

SOUTHERN LAKES REGIONAL METROPOLITAN PARKS AND RECREATION DISTRICT
GOVERNMENTAL FUND BALANCE SHEET/ STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2007

	<u>General Fund - Modified Accrual Basis</u>	<u>Adjustments (Note 2 B)</u>	<u>Statement of Net Assets - Full Accrual Basis</u>
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash and Cash Equivalents	\$130,169	\$0	\$130,169
Investments - Certificate of Deposit	85,490	0	85,490
Accounts Receivable	42,052	0	42,052
Taxes Receivable	469,348	0	469,348
Prepaid Assets	5,489	0	5,489
Total Current Assets	<u>\$732,548</u>	<u>\$0</u>	<u>\$732,548</u>
<u>NON-CURRENT ASSETS</u>			
Capital Assets	0	115,166	115,166
Less: Accumulated Depreciation	0	<u>(71,243)</u>	<u>(71,243)</u>
Total Non-Current Assets	<u>\$0</u>	<u>\$43,923</u>	<u>\$43,923</u>
<u>TOTAL ASSETS</u>	<u>\$732,548</u>	<u>\$43,923</u>	<u>\$776,471</u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	\$26,020	\$0	\$26,020
Payroll Taxes and Other Liabilities	8,896	6,933	15,829
Deferred Revenue	510,468	0	510,468
Total Current Liabilities	<u>\$545,384</u>	<u>\$6,933</u>	<u>\$552,317</u>
<u>FUND BALANCE/NET ASSETS</u>			
<u>FUND BALANCE</u>			
Fund Balance - Designated for Jubil'Eve	10,523	(10,523)	0
Fund Balance - Designated for Youth Football	8,569	(8,569)	0
Fund Balance - Undesignated	168,072	(168,072)	0
Total Fund Balance	<u>\$187,164</u>	<u>(\$187,164)</u>	<u>\$0</u>
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	<u>\$732,548</u>		
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt		43,923	43,923
Unrestricted		180,231	180,231
Total Net Assets		<u>\$224,154</u>	<u>\$224,154</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>		<u>\$43,923</u>	<u>\$776,471</u>

See accompanying notes to the basic financial statements

SOUTHERN LAKES REGIONAL METROPOLITAN PARKS AND RECREATION DISTRICT
STATEMENT OF GOVERNMENTAL REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE/ STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>General Fund - Modified Accrual Basis</u>	<u>Adjustments (Note 2 B)</u>	<u>Statement of Activities - Full Accrual Basis</u>
<u>EXPENDITURES/EXPENSES</u>			
Recreation	\$983,180	(\$10,001)	\$973,179
<u>PROGRAM REVENUES</u>			
Charges for Services - Activity Fees	472,010	0	472,010
Operating Grants	8,000	0	8,000
Total Program Revenues	<u>\$480,010</u>	<u>\$0</u>	<u>\$480,010</u>
Net Program Expenses			(\$493,169)
<u>GENERAL REVENUES</u>			
Property Taxes	451,756	0	451,756
Investment Earnings	18,208	0	18,208
Miscellaneous	35,307	0	35,307
Total General Revenues	<u>\$505,271</u>	<u>\$0</u>	<u>\$505,271</u>
Excess (Deficiency) of Revenues Over Expenditures	\$2,101	(\$2,101)	\$0
<u>CHANGE IN NET ASSETS</u>	0	12,102	12,102
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>185,063</u>	<u>26,989</u>	<u>212,052</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$187,164</u>	<u>\$36,990</u>	<u>\$224,154</u>

See accompanying notes to the basic financial statements

SOUTHERN LAKES REGIONAL METROPOLITAN PARKS AND RECREATION DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUE</u>				
Property Taxes	\$451,115	\$451,115	\$451,756	\$641
Local Grants	0	0	8,000	8,000
Charges for Services - Activity Fees	481,300	481,300	472,010	(9,290)
Investment Earnings	10,000	10,000	18,208	8,208
Miscellaneous	26,200	26,200	35,307	9,107
Total Revenue	<u>\$968,615</u>	<u>\$968,615</u>	<u>\$985,281</u>	<u>\$16,666</u>
<u>EXPENDITURES</u>				
Program Administration	393,957	394,207	430,351	(36,144)
Program Activities	476,700	480,200	454,491	25,709
Grants - Loose Senior Center	85,711	85,711	85,199	512
Capital Outlay	4,000	4,000	13,139	(9,139)
Total Expenditures	<u>\$960,368</u>	<u>\$964,118</u>	<u>\$983,180</u>	<u>(\$19,062)</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	<u>\$8,247</u>	<u>\$4,497</u>	\$2,101	<u>(\$2,396)</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>			<u>185,063</u>	
<u>FUND BALANCE - END OF YEAR</u>			<u>\$187,164</u>	

See accompanying notes to the basic financial statements.

SOUTHERN LAKES REGIONAL METROPOLITAN PARKS AND RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Southern Lakes Regional Metropolitan Parks and Recreation District (the "District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Southern Lakes Regional Metropolitan Parks and Recreation District:

A) REPORTING ENTITY

Southern Lakes Regional Metropolitan Parks and Recreation District was formed on November 7, 2000, by a vote of the citizens of the City of Fenton, Fenton Township, and the City of Linden, to provide and maintain recreational programs and facilities for citizens in the southern Genesee County area.

The District is governed by a six-member board. Two members are appointed by each of the governing bodies of the participating members.

B) GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or units of government who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

C) MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The District does not have any proprietary or fiduciary funds.

Governmental fund financial statements (i.e., the balance sheet and governmental statement of revenues, expenditures, and changes in fund balance) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue source meets the availability criterion - interest associated with the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following governmental fund:

General Fund - The General Fund is the District's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy is to first apply restricted resources.

SOUTHERN LAKES REGIONAL METROPOLITAN PARKS AND RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION
(Continued)

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The District's 2006 tax is levied and collectible on December 1, 2006, and is recognized as revenue in the year ended December 31, 2007, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2006 taxable valuation of the District totaled \$1,299,033,847, on which taxes levied consisted of 0.3726 mills for operating purposes. This resulted in \$451,756 for operations. This amount is recognized in the respective General Fund financial statements as tax revenue.

D) ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

1) Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

2) Receivables and Payables

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

3) Capital Assets

Capital assets, which include vehicles and equipment, are reported only in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,500 for administrative equipment and \$2,000 for recreation equipment and an estimated useful life in excess of one year. Such assets are recorded at historical cost. 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 assets lives are not capitalized.

Vehicles and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Office Equipment	7
Recreation Equipment	7
Vehicles	5

4) Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

SOUTHERN LAKES REGIONAL METROPOLITAN PARKS AND RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D) ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)

5) 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

2) RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A) RECONCILIATION OF THE FUND BALANCE AS REPORTED IN THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS

Total governmental funds fund balance as reported in the balance sheet governmental funds	\$187,164
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	43,923
Accrued long-term liabilities not reported in the funds	<u>(6,933)</u>
<u>NET ASSETS - GOVERNMENTAL ACTIVITIES</u>	<u>\$224,154</u>

B) RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	\$2,101
Governmental fund report capital outlays as expenditures. However, in the state of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense	
Accrued long-term liabilities are not reported in the funds	
Change in accrued compensated absences	1,046
Purchase of capital assets	21,678
Depreciation expense	<u>(12,723)</u>
<u>CHANGE IN NET ASSETS - STATEMENT OF ACTIVITIES</u>	<u>\$12,102</u>

SOUTHERN LAKES REGIONAL METROPOLITAN PARKS AND RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGETARY INFORMATION

The District followed these procedures in establishing the budgetary data reflected in the financial statements:

- 1) Prior to January 1, a proposed operating budget was submitted to the District board for the year commencing January 1. The operating budget, which is prepared on a basis consistent with generally accepted accounting principles, included total proposed expenditures and the means of financing them for the General Fund.
- 2) The budget was legally adopted on an activity basis by the District board.
- 3) Any revisions that alter the expenditures of an activity of the General Fund must be approved by the Board.
- 4) Budget appropriations lapse at year end

Budgeted amounts are reported on the financial statements as originally adopted and as amended by the District board.

BUDGET COMPLIANCE

The District incurred expenditures in excess of the final budget as follows:

	<u>Actual Over</u> <u>Budget</u>
Program Administration	\$ 36,144
Capital Outlay	9,139

4) DETAILED NOTES ON ALL FUNDS

A) DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local government units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements, bankers' acceptances of the United States banks, commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase, obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The District has designated three banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and certificates of deposit. The District's deposits and investment policies are in accordance with statutory authority. The District's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. At year end, the District had \$58,977 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution only those institutions with an acceptable estimated risk level are used as depositories.

SOUTHERN LAKES REGIONAL METROPOLITAN PARKS AND RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

4) DETAILED NOTES ON ALL FUNDS (Continued)

A) DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a policy for custodial credit risk. At year end, \$85,490 of investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District's name.

B) CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated				
Office Equipment	\$35,839	\$0	\$0	\$35,839
Recreation Equipment	33,538	0	0	33,538
Vehicles	24,111	21,678	0	45,789
Total Capital Assets Being Depreciated	<u>\$93,488</u>	<u>\$21,678</u>	<u>\$0</u>	<u>\$115,166</u>
Less: Accumulated Depreciation For:				
Office Equipment	(19,463)	(7,105)	0	(26,568)
Recreation Equipment	(14,946)	(4,070)	0	(19,016)
Vehicles	(24,111)	(1,548)	0	(25,659)
Total Accumulated Depreciation	<u>(\$58,520)</u>	<u>(\$12,723)</u>	<u>\$0</u>	<u>(\$71,243)</u>
<u>NET CAPITAL ASSETS</u>	<u>\$34,968</u>	<u>\$8,955</u>	<u>\$0</u>	<u>\$43,923</u>

C) DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, property tax and program revenues of \$510,468 have been deferred.

D) FACILITIES

The District entered into a new lease agreement with Lake Fenton Schools in July 2005. The lease period is July 1, 2005 through June 30, 2008, renewable each January. Total rent expense was \$28,685 for 2007. Based on an agreement between Lake Fenton Schools and the District only \$17,500 was directly expensed for rent and the remainder was spent on equipment and building improvements for Lake Fenton Schools. The lease agreement was not renewed for the 2008 year.

E) RETIREMENT

The District provides a SIMPLE IRA plan for those employees who are eligible. There were five participants in the plan at December 31, 2007. The plan allows for the employees to defer income. The District made \$5,214 in contributions to the plan as of December 31, 2007.

5) CHANGE IN COMPENSATED ABSENCES

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Compensated Absences	\$7,979	\$0	\$1,046	\$6,933

SOUTHERN LAKES REGIONAL METROPOLITAN PARKS AND RECREATION DISTRICT
GENERAL FUND
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007

EXPENSESRecreation Program Administration

Advertising	\$7,985
Bank Charges	5,359
Co-Sponsorship	1,865
Employee Benefits	60,242
Insurance	8,588
Membership and Dues	1,846
Office Supplies	10,622
Payroll Taxes	23,224
Postage	1,397
Professional Fees	6,106
Rent	28,685
Repair and Maintenance	1,740
Retirement	5,214
Salaries	259,261
Telephone	2,656
Training/Conferences	1,735
Travel	3,826
Total Recreation Program Administration	\$430,351

Recreation Program Activities

Academics	3,790
Amusement Park	10,457
Artist Workshop	5,423
Arts and Crafts - Youth	2,302
Basketball - Adult	4,812
Basketball - Youth	19,649
Basketball - Youth League	4,341
Brochure	21,370
Cheerleading	7,688
Child Development	3,999
Dance	25,349
Dodgeball	500
Drama - Youth	338
Equestrian Team	2,626
Fitness	22,082
Football	38,217
Football - Flag	6,938
Football - Instructional	4,024
Golf - Adult	2,467
Golf - Youth	4,484
Golf League	5,648

SOUTHERN LAKES REGIONAL METROPOLITAN PARKS AND RECREATION DISTRICT
GENERAL FUND
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007

EXPENSES (Continued)Recreation Program Activities (Continued)

Gym Fund Expenditures	\$7,803
Gymnastics	54,975
Jubil Eve	38,794
Karate	8,742
Miscellaneous	42,695
Safety	2,157
Scholarships	2,222
Senior Swingers	3,572
Soccer - Youth	13,503
Softball - Youth	2,123
Special Events	17,658
Swimming	30,255
Tennis - Adult	1,019
Tennis - Table	2,081
Tennis - Youth	2,260
Volleyball - Adult	4,786
Volleyball - Youth	13,979
Wrestling	9,363
Total Recreation Program Activities	<u>\$454,491</u>

Grants - Loose Senior Center

85,199

Total Current Expenditures

\$970,041Capital Outlay

Program Activities Equipment

13,139TOTAL EXPENSES\$983,180



Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

May 8, 2008

To the Management of
Southern Lakes Regional Metropolitan Parks & Recreation District

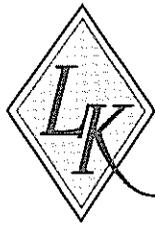
In planning and performing our audit of the financial statements of Southern Lakes Regional Metropolitan Parks & Recreation District for the year ended December 31, 2007, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of issues that are an opportunity for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters and some future issues that the District should be aware of. This letter does not affect our report dated, May 8, 2008, on the financial statements of Southern Lakes Regional Metropolitan Parks & Recreation District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various personnel, 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.

LEWIS & KNOFF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS



MANAGEMENT COMMENTS AND RECOMMENDATIONS

1. We noted that the chart of accounts for the organization is not in compliance with the Uniform Chart of Accounts issued by the State of Michigan Department of Treasury.