

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Southern Lakes Reg Metro Parks & Rec Comm	County Genesee
Audit Date 12/31/04	Opinion Date 4/15/05	Date Accountant Report Submitted to State:	

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:

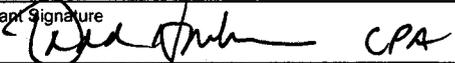
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

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.

- Yes No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- Yes No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- Yes No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- Yes 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.
- Yes 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]).
- Yes No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- Yes 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).
- Yes 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).
- Yes 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.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASL GU).			✓

Certified Public Accountant (Firm Name) BKR Dupuis & Ryden			
Street Address 111 East Court Street, Suite 1A	City Flint	State MI	ZIP 48502
Accountant Signature 		Date 5/23/05	

Annual Financial Statements
Southern Lakes Regional Metropolitan
Parks and Recreation Commission
Genesee County, Michigan
December 31, 2004
with Independent Auditors' Report

**Southern Lakes Regional Metropolitan
Parks and Recreation Commission
Annual Financial Report
For the Fiscal Year Ended December 31, 2004**

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Introductory Section

**Southern Lakes Regional Metropolitan
Parks and Recreation Commission
List of Board Members**

Alberta Martin	Chairperson
Robert Burek	Vice Chairperson
James Donleavy	Secretary
Rick Selley	Treasurer
David Osborn	Commissioner
Terry Wright	Commissioner

Financial Section

Independent Auditors' Report

Southern Lakes Regional Metropolitan Parks and Recreation Commission Board
Southern Lakes Regional Metropolitan Parks and Recreation Commission
Genesee County, Michigan

We have audited the financial statements of the governmental activities of the Southern Lakes Regional Metropolitan Parks and Recreation Commission (Commission) as of December 31, 2004, and for the year then ended, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion 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 opinion.

As described in Note I.B., the Commission has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of December 31, 2004.

In our opinion, the financial statements referred to in the first paragraph, present fairly, in all material respects, the respective financial position of the governmental activities of the Southern Lakes Regional Metropolitan Parks and Recreation Commission at December 31, 2004, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 4.1 through 4.3 and the information in the required supplementary information section on page 14 are not a required part of the basic financial statements but are 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Commission's basic financial statements. The introductory section and additional information is presented for purposes of additional analysis and are not required parts of the basic financial statements. The additional 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 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 them.

BKR Dupuis & Ryder

Certified Public Accountants
Flint, Michigan

April 15, 2005

Management's Discussion and Analysis

**Southern Lakes Regional Metropolitan
Parks and Recreation Commission
Management's Discussion and Analysis**

As management of the Southern Lakes Regional Metropolitan Parks and Recreation Commission (Commission), we offer readers of Southern Lakes Regional Metropolitan Parks and Recreation Commission's financial statements this narrative overview and analysis of the financial activities of the Southern Lakes Regional Metropolitan Parks and Recreation Commission.

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the annual financial report of the Southern Lakes Regional Metropolitan Parks & Recreation District (SLP&R) for the fiscal year ending December 31, 2004.

This report consists of management's representations concerning the finances of SLP&R. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, Southern Lakes Parks & Recreation Administration has established a comprehensive internal control framework that is designed both to protect the district's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of SLP&R's financial statements in conformity with GAAP. SLP&R's internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. Management believes this financial report is complete and reliable in all material respects.

SLP&R's financial statements have been audited by BKR Dupuis & Ryden, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of SLP&R for the fiscal year ended December 31, 2004 are free of material misstatement. The independent audit involved 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; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that SLP&R financial statements for the fiscal year ended December 31, 2004 are fairly presented in conformity with GAAP.

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

SLP&R was established in November of 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) 312 of 1929. SLP&R service area is located in the southern part of Genesee County. SLP&R is supported by a perpetual 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 pursues local, state and federal grant dollars for a variety of programs and projects. MCL 312 also empowers SLP&R to bond, and acquire property for the purpose of creating and managing a system of park systems.

Policy-making authority is vested in a board consisting of six commissions – two appointed from each municipality. The board is responsible for adopting the annual budget, appointing committees, 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 two year staggered terms, with two board members appointed every two years by the municipal governments they hold residency in. Elected officials and employees of the representative governments may not be appointed to the Commission.

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 which 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 31st. The board is required to adopt a final budget no later than sixty days prior to the start of their fiscal year, which is January 1st. The budget to actual comparisons are provided in this report.

Basic Financial Statements

The basic financial statements for the Southern Lakes Regional Metropolitan Parks and Recreation Commission are comprised of the governmental funds balance sheet/statement of net assets, combined statement of revenues, expenditures, and changes in fund balances-statement of activities and notes to the financial statements.

The statement of net assets presents the information of the governmental funds for both the assets and liabilities, with the difference between the two reported as net assets.

The statement of activities present information showing how the governmental funds net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the governmental funds financial statements.

Financial Highlights

The government-wide financial statements are reported in the basic financial statements to the far right entitled, the Statement of Net Assets, and the Statement of Activities. The total assets of Southern Lakes Regional Metropolitan Parks and Recreation Commission are \$570,214 of which \$345,867 represents tax receivables. The liabilities are \$13,216, of which \$8,106 represents accounts payable and \$3,439 represents payroll tax liabilities leaving current net assets of \$556,998. A total of \$11,173 is restricted for programs, \$5,620 is restricted for Friendly Folks senior programs, and the remaining portion is unrestricted but designated for future programs.

Net assets increased \$33,208 for the Commission as a result of \$405,051 in general revenue, plus \$203,185 in program revenue less program expenses of \$575,028.

The governmental fund is reported on the modified accrual basis of accounting. The fund is reported in two financial statements: the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances, which are shown in the first column of each statement. The Commission has one governmental fund: General Operations.

Total revenues of the general operations on the modified accrual basis amounted to \$588,111.

Total expenditures amounted to \$566,819 of which \$190,408 went for program activities, \$72,175 to the Loose Senior Center, and the remaining portion, \$304,236, to Program Administration and Capital Outlay.

The excess revenues over expenditures was \$21,292 leaving a fund balance of \$131,099.

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 cut the SLP&R service area in half. As well the large number of lake front 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 investing 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 & Facility Philosophy.

Cash Management Policies and Practices

The district has an approved Investment Policy that restricts investments to CD’s in any of the three local banking establishments in the area. Management develops an operating budget based of 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 2%.

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 their workers compensation and liability carrier’s risk management specialist. Staff also takes part in safety training that includes first-aid and adult/child CPR. As well SLP&R is part of the school district safety plan management team.

Pension and Other Employee Benefits

SLP&R provides full time, salaried employees with a SIMPLE IRA, matching the employees’ contribution of up to 3% of gross wages. The employees receive 3 – 4% of gross wages 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.

Basic Financial Statements

Southern Lakes Regional Metropolitan Parks and Recreation Commission
Statement of Net Assets and
Governmental Fund Balance Sheet
General Fund
December 31, 2004

	General Fund	Adjustments (Note II A)	Statement of Net Assets
Assets			
Cash and cash equivalents	\$ 122,787	\$ -	\$ 122,787
Investments - certificate of deposit	76,617	-	76,617
Accounts receivable	1,011	-	1,011
Taxes receivable	345,867	-	345,867
Capital assets, net	-	23,932	23,932
Total assets	<u>\$ 546,282</u>	<u>23,932</u>	<u>570,214</u>
Liabilities			
Accounts payable	\$ 8,106	-	8,106
Payroll taxes and other liabilities	3,439	-	3,439
Deferred revenue	403,638	(401,967)	1,671
Total liabilities	<u>415,183</u>	<u>(401,967)</u>	<u>13,216</u>
Fund Balance/Net Assets			
Fund balance - reserved for Friendly Folks	5,620	(5,620)	-
Fund balance - designated for programs	11,173	(11,173)	-
Fund balance - designated for subsequent years expenditures	1,367	(1,367)	-
Fund balance - undesignated	112,939	(112,939)	-
Total fund balances	<u>131,099</u>	<u>(131,099)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 546,282</u>		
Net Assets			
Invested in capital assets		23,932	23,932
Restricted for Friendly Folks		5,620	5,620
Restricted for programs		11,173	11,173
Unrestricted		516,273	516,273
Total net assets		<u>\$ 556,998</u>	<u>\$ 556,998</u>

See notes to financial statements.

Southern Lakes Regional Metropolitan Parks and Recreation Commission
Statement of Activities and
Governmental Fund Revenues, Expenditures, and
Changes in Fund Balance
General Fund
Year Ended December 31, 2004

	General Fund	Adjustments (Note II B)	Statement of Activities
Expenditures/expenses:			
Recreation	\$ 566,819	\$ 8,209	\$ 575,028
Program revenues:			
Charges for services- activity fees	177,185	-	177,185
Local grants- United Way and other	26,000	-	26,000
Total program revenues	203,185	-	203,185
Net program expenditures			(371,843)
General revenues:			
Property taxes	381,842	20,125	401,967
Investment earnings	2,753	-	2,753
Miscellaneous	331	-	331
Total general revenues	384,926	20,125	405,051
Excess (deficiency) of revenues over expenditures	21,292	(21,292)	-
Change in net assets	-	33,208	33,208
Fund balance/net assets:			
Beginning of the year	109,807	413,983	523,790
End of the year	\$ 131,099	\$ 425,899	\$ 556,998

See notes to financial statements.

Notes to Basic Financial Statements

Southern Lakes Regional Metropolitan Parks and Recreation Commission
Notes to Financial Statements
December 31, 2004

I. Summary of significant accounting policies

The accounting policies of the Southern Lakes Regional Metropolitan Parks and Recreation Commission (Commission) 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 the Southern Lakes Regional Metropolitan Parks and Recreation Commission.

A. Reporting entity

The Southern Lakes Regional Metropolitan Parks and Recreation Commission was formed on November 20, 2000, by an agreement between 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 Commission 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

During the year ended December 31, 2004, the Commission implemented a new financial reporting model, as required by the provision of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. The new standard requires 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*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The Commission 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*. This means that only current assets (expendable available financial resources) and current liabilities (those expected to be liquidated with expendable financial resources) are generally included on its balance sheet. Its reported fund balance

Southern Lakes Regional Metropolitan Parks and Recreation Commission
Notes to Financial Statements
December 31, 2004

I. Summary of significant accounting policies – (continued)

C. Measurement focus, basis of accounting, and financial statement presentation – (continued)

(net current assets) is considered a measure of “available spendable resources.” Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are 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. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following governmental fund:

General Fund – It is used to account for all financial resources except those required to be accounted for in another fund.

D. Assets, liabilities, and net assets or equity

1. Deposits

Deposits are carried at cost plus accrued interest. The carrying amount of deposits is separately displayed on the balance sheet as “cash and cash equivalents”. Deposits with a maturity of greater than three months are classified as investments for the balance sheet presentation.

2. Capital assets

Capital assets, which include land, vehicles, and equipment, are reported only in the government-wide financial statements. Capital assets are defined by the government 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>
Vehicles	5
Office equipment	7
Recreation and equipment	7

Southern Lakes Regional Metropolitan Parks and Recreation Commission
Notes to Financial Statements
December 31, 2004

I. Summary of significant accounting policies – (continued)

D. Assets, liabilities, and net assets or equity – (continued)

3. Property taxes

The voters of the participating units approved a millage for parks and recreation activities. A total of .3873 mills on taxable value is levied for the 2004 tax roll and .3849 for the 2005 tax roll.

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.

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.

II. Reconciliation of government-wide and fund financial statements

A. Reconciliation of the fund balance as reported in the governmental balance sheet to the statement of net assets

Total Governmental Funds fund balance as reported in the Balance Sheet Governmental Funds	\$131,099
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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	23,932
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	<u>401,967</u>
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Net assets – Governmental Activities	<u><u>\$556,998</u></u>
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Southern Lakes Regional Metropolitan Parks and Recreation Commission
Notes to Financial Statements
December 31, 2004

II. Reconciliation of government-wide and fund financial statements – (continued)

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	\$ 21,292
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

The details of this difference are as follows:

Capital outlay	3,000
Depreciation expense	(11,209)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The details of the difference are as follows:

Recognition of current year deferred revenue	401,967
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Removal of prior years deferred revenue that is included in revenue in the statement of revenues, expenditures, and changes in fund balances	(381,842)
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Change in net assets – statement of activities	<u>\$ 33,208</u>
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III. Stewardship, compliance, and accountability

Budgetary information

The Commission 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 Commission 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 Commission Board.
3. Any revisions that alter the expenditures of each 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 or as amended by the Commission Board.

Southern Lakes Regional Metropolitan Parks and Recreation Commission
Notes to Financial Statements
December 31, 2004

IV. Detailed notes on all funds

A. Deposits and investments

Deposits:

At year end, the carrying amount of the Commission's deposits was \$82,237 excluding \$600 of petty cash; the bank balance was \$82,240. The Commission's remaining cash and cash equivalents are swept daily into governmental security mutual funds.

Investments:

State statutes authorize the Commission to invest in obligations of the U.S. Treasury and U.S. agencies, deposit agreements with federally insured financial institutions within the State of Michigan, high grade commercial paper, repurchase obligations of the U.S. government and U.S. agencies, banker's acceptances of U.S. banks, and mutual funds comprised of the above authorized investments. The Commission Board has approved the following depository for Commission use; Citizens Bank, State Bank of Fenton, and a third community bank.

The Commission's investments are categorized to give an indication of the level of risk assumed by the entity at year end. The categories are defined as follows: category 1 includes investments that are insured or registered, or for which securities are held by the Commission or its custodial agent in the Commission's name; category 2 includes uninsured and registered investments for which the securities are held by the broker's or dealer's trust department or agent in the Commission's name; and category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent not in the Commission's name.

	<u>Category</u>			<u>Carrying Amount</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Repurchase agreement checking/ sweep account	\$ -0-	\$ -0-	\$116,567	\$116,567	\$116,567

Deposits and investments are reported in the statement of net assets as follows:

Cash and cash equivalents	\$122,787
Investments	<u>76,617</u>
	<u>\$199,404</u>

Southern Lakes Regional Metropolitan Parks and Recreation Commission
Notes to Financial Statements
December 31, 2004

IV. Detailed notes on all funds – (continued)

B. Capital assets

Capital asset activity for the year ended December 31, 2004 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets being depreciated:				
Office equipment	\$ 19,111	\$ 3,000	\$ -	\$ 22,111
Recreation and equipment	14,729	-	-	14,729
Vehicles	24,111	-	-	24,111
	<hr/>			
Total capital assets being depreciated	57,951	3,000	-	60,951
	<hr/>			
Less accumulated depreciation for:				
Land improvements	(6,559)	(3,995)	-	(10,554)
Building	(4,784)	(2,392)	-	(7,176)
Furniture and fixtures	(14,467)	(4,822)	-	(19,289)
	<hr/>			
Total accumulated depreciation	(25,810)	(11,209)	-	(37,019)
	<hr/>			
Total capital assets, being depreciated, net	32,141	(8,209)	-	23,932
	<hr/>			
Governmental activities capital assets, net	<u>\$ 32,141</u>	<u>\$ (8,209)</u>	<u>\$ -0-</u>	<u>\$ 23,932</u>

C. Facilities

Office space was provided at no cost to the Commission by the Lake Fenton School District through June 30, 2004.

The Commission entered into a new lease agreement with Lake Fenton Schools in November 2003. The lease period is July 1, 2004 through June 30, 2005. The Commission can renew the lease April 2005.

D. Retirement

The Commission provides a SIMPLE IRA plan for those employees that are eligible. There were four participants in the plan at December 31, 2004. The plan allows for the employees to defer income. The Commission made \$2,236 in contributions to the plan as of December 31, 2004.

Southern Lakes Regional Metropolitan Parks and Recreation Commission
Notes to Financial Statements
December 31, 2004

V. Budget compliance

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

	Actual Over <u>Budget</u>
Recreation – Grants – Loose Senior Center	\$ 545
Capital outlay	1,786

Required Supplementary Information

Southern Lakes Regional Metropolitan Parks and Recreation Commission
Statement of Activities and
Governmental Fund Revenues, Expenditures, and
Changes in Fund Balance- Budget and Actual
General Fund
Year Ended December 31, 2004

	Budget		Actual	Variance- Favorable (Unfavorable)
	Original	Final		
Revenues:				
Property taxes	\$ 377,000	\$ 377,000	\$ 381,842	\$ 4,842
Local grants	23,000	23,000	26,000	3,000
Charges for services - fees	187,700	193,700	177,185	(16,515)
Interest and dividends	2,500	2,500	2,753	253
Other revenues	100	100	331	231
Total revenues	590,300	596,300	588,111	(8,189)
Expenditures:				
Current:				
Recreation:				
Program administration	293,427	293,375	287,990	5,385
Program activities	207,100	212,600	190,408	22,192
Grants-Loose Senior Center	71,630	71,630	72,175	(545)
Capital outlay	14,460	14,460	16,246	(1,786)
Total expenditures	586,617	592,065	566,819	25,246
 Excess of revenues over expenditures	 3,683	 4,235	 21,292	 17,057
Fund balance at beginning of year	109,807	109,807	109,807	-
Fund balance at end of year	\$ 113,490	\$ 114,042	\$ 131,099	\$ 17,057

Note: The budget is prepared on the same basis as generally accepted accounting principles.

See notes to financial statements.

Additional Information

Southern Lakes Regional Metropolitan Parks and Recreation Commission
General Fund
Schedule of Expenditures
For the Year Ended December 31, 2004

Recreation program administration:	
Training/conferences	\$ 2,500
Planning fees	76
Professional fees	6,439
Equipment rental/lease	1,978
Travel	3,011
Publishing	18,972
Director wages	53,537
Part-time wages	6,291
Administrative wages	25,900
Recreation program wages	29,049
Arts coordinator wages	29,578
Additional compensation	0
Individual scholarships	136
Postage	2,590
Office supplies	5,756
Maintenance supplies	925
Vehicle repair and maintenance	672
Membership and dues	1,879
Telephone	2,736
Advertising	5,703
Bank charges	977
Recreation equipment repair and maintenance	287
Office equipment repair and maintenance	794
Rent	17,880
FICA	13,463
Retirement	2,236
Life insurance	423
Medical insurance	37,412
Insurance-general	6,722
Workmen's compensation	3,998
Co-Sponsorship	6,070
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Total recreation program administration	287,990
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Recreation program activities:	
Advertising	5,825
Amusement park	4,128
Arts and crafts - adult	1,043
Arts and crafts - youth	1,755
Artist workshop	6,585

(continued)

**Southern Lakes Regional Metropolitan Parks and Recreation Commission
General Fund**

**Schedule of Expenditures (continued)
For the Year Ended December 31, 2004**

Recreation program activities: - (continued)	
Basketball - youth	16,913
Baton	20
Cheerleading	8,821
Child development	2,830
Dance	12,432
Drama - youth	1,152
Football	25,216
Football - instructional	1,164
Flag football	7,481
Friendly Folks	81
Golf - adult	6,337
Karate	4,481
Miscellaneous	18,140
Miscellaneous staff wages	3,689
Soccer	4,948
Softball - youth	2,142
Special events	17,100
Swimming	2,333
Tennis-youth	65
United Way grant	7,328
Therapeutic recreation/United Way grant	1,964
Wrestling	1,623
Volleyball-youth	8,555
Youth at risk training program	16,257
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Total recreation program activities	190,408
	<hr/>
Grants-Loose Senior Center	72,175
	<hr/>
Total current expenditures	550,573
	<hr/>
Capital outlay:	
Program activities equipment	5,880
Program administrative equipment	10,366
	<hr/>
Total capital outlay	16,246
	<hr/>
Total expenditures	<u><u>\$ 566,819</u></u>

April 15, 2005

Commissioners
Southern Lakes Regional Metropolitan
Parks and Recreation Commission
Genesee County, Michigan

We have audited the basic financial statements of Southern Lakes Regional Metropolitan Parks and Recreation Commission; Michigan (the Commission) for the year ended December 31, 2004, and have issued our report thereon dated April 15, 2005. As part of our audit, we made a study and evaluation of the Commission's system of internal accounting control to the extent we considered necessary solely to determine the nature, timing, and extent of our auditing procedures. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole, and we do not express such an opinion.

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

During the audit we became aware of certain matters that are opportunities for potential improvements to the financial reporting process. This letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated April 15, 2005, on the basic financial statements of Southern Lakes Regional Metropolitan Parks and Recreation Commission.

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

Comments and Recommendations

Prior Year

1. Cash Receipts

The daily cash report should be reconciled to the receipt book to account for all receipts written. Any gaps in the receipt number should be explained and documented on the report. For instance, if a receipt is voided then the daily cash report needs to indicate that receipt has been voided.

Action: Reconciliations were performed during 2004.

Current Year

1. Bank Statement Review Process

A recommendation to strengthen internal controls over the check disbursement process would be to have the Director receive the unopened bank statements in the mail and for him to review the cancelled checks for propriety before giving the bank statement to the accountant for preparation of the bank reconciliation. Currently, the accountant receives the bank statements unopened but since this person is responsible for the preparation of checks we believe adding this bank statement review by the Director will strengthen internal controls.

2. High Quality of Accounting Records

We would like to commend the Director and his staff for continuing the high quality of the records and for the high level of attention paid by the Director and accountant throughout the year to assure proper accounting and budgeting procedures for the Commission.

This letter is intended solely for internal management and should not be used for any other purpose. We would also like to express our appreciation for the cooperation extended to our staff by Southern Lakes Regional Metropolitan Parks and Recreation Commission personnel during the course of the audit. If you have any questions regarding the contents of this letter, please contact us.

Sincerely,



BKR Dupuis & Ryden
Flint Office