

**DeWitt Area Recreation Authority
DeWitt, Michigan**

FINANCIAL STATEMENTS

December 31, 2003

DeWitt Area Recreation Authority

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ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
DeWitt Area Recreation Authority
DeWitt, Michigan

We have audited the accompanying basic financial statements of the governmental activities and the major fund of the DeWitt Area Recreation Authority as of and for the six months ended December 31, 2003, as listed in the Table of Contents. These financial statements are the responsibility of the Authority'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 opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the DeWitt Area Recreation Authority as of December 31, 2003, and the respective changes in financial position thereof for the six months then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Authority has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of July 1, 2003, along with all related statements and interpretations.

The management's discussion and analysis and budgetary comparison information on pages 2 through 7 and 15 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.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 9, 2004



Commissioners

Ken Kain
Jim Lancaster
Phyllis Daggy
Richard Paulsen
Matthew Kulhanek
Dave Hunsaker

Executive Director

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**Management's Discussion and Analysis
For the Six Months Ended December 31, 2003**

This section of DeWitt Area Recreation Authority's annual report presents our discussion and analysis of the Authority's financial performance during the financial six month period ended December 31, 2003. The following discussion and analysis relates to a 6-month financial year as the organization became operational on July 1, 2003. Please read it in conjunction with the Authority's financial statements, which immediately follow this section.

DeWitt Area Recreation Authority is in its initial year of implementing the provisions of Governmental Accounting Standards Board Statement No. 34 (GASB 34) with the enclosed financial statements. This section of the annual financial statements, titled Management's Discussion and Analysis is a requirement of GASB 34. Comparative analysis will be provided in future years and is not required in the first year of GASB 34 implementation.

Generally accepted accounting principles (GAAP) according to GASB 34 require the reporting of two types of financial statements: Government-wide financial statements and Fund Level financial statements.

Financial Highlights

- The assets of the Authority exceeded its liabilities at December 31, 2003 by \$48,165 at the government-wide level. This amount represents the balance of the Authority's unrestricted net assets and may be used to meet the Authority's ongoing obligations.
- As of the close of the current fiscal year, the DeWitt Area Recreation Authority's governmental fund reported an ending fund balance of \$50,857.
- At the end of the current fiscal year, unreserved and undesignated fund balance for the general fund was \$50,857, or 62.97% of total general fund expenditures for the six month period ended December 31, 2003.

Overview of the Financial Statements

The DeWitt Area Recreation Authority's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

- The first column of the financial statements includes information on the Authority's Special Revenue Fund under the modified accrual method. These *Fund Financial Statements* focus on current financial resources and provide a more detailed view about the accountability of the Authority's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.
- The *government-wide financial statement* columns provide both *long-term* and *short-term* information about the Authority's *overall* financial status. The statement of net assets and the statement of activities provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Government-wide Financial Statements: The government-wide financial statements provide information about the activities of the entire Authority. They present an overall view of the Authority's finances, reporting the assets and liabilities on fiscal period ended December 31, 2003.

The statement of net assets presents information on all of the DeWitt Area Recreation Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of activities presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported using the modified accrual basis of accounting.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The DeWitt Area Recreation Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority operates with one fund, which is considered a special revenue fund.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluation a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The notes to the financial statements provide reconciliations between the fund level and government-wide financial statements to facilitate this comparison between governmental funds and governmental activities.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10-14 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgeted revenues and expenditures on page 5. The DeWitt Area Recreation Authority adopts an annual appropriated budget for its Special Revenue Fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with this budget.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of DeWitt Area Recreation Authority, assets exceeded liabilities by \$48,165. A comparative analysis of data will be presented in future years when the information is available.

	<u>2003</u>
Current assets	\$60,968
Total assets	\$60,968
Current liabilities	\$11,995
Non-current liabilities	\$808
Total liabilities	\$12,803
Net assets	
Unrestricted	\$48,165
Total net assets	\$48,165

Unrestricted net assets (the part of net assets that can be used to finance day to day operations) stand at approximately 58% of expenses for the six month period ended December 31, 2003. This is well above our desired range, and will decrease as annual expenses are computed for a full year of operations unlike this financial year of 6 months of operation.

The following table shows the changes of net assets for the year ended December 31, 2003.

	<u>2003</u>
Program revenue	
Charges for services	\$30,750
General revenue	
Intergovernmental – local	\$100,000
Interest	\$214
Other	\$655
Total Revenues	\$131,619
Current Expenses	
Recreation services	\$83,454
Total Expenses	\$83,454
<u>Change in net assets</u>	<u>\$48,165</u>

Analysis of Financial Position

As noted earlier, the DeWitt Area Recreation Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund: The focus of the DeWitt Area Recreation Authority's governmental fund is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the DeWitt Area Recreation Authority's financing requirements. In particular, unreserved-undesignated fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal period.

As of the end of the current fiscal period, the DeWitt Area Recreation Authority's governmental fund reported an ending fund balance of \$50,857. The unreserved and undesignated fund balance at December 31, 2003 is \$50,857.

As a measure of the governmental fund's liquidity, it may be useful to compare total fund balance and unreserved-undesignated fund balance to total fund expenditures. The total fund balance and unreserved-undesignated fund balance represent approximately 63% of total fund expenditures.

Governmental Fund Budgetary Highlights

There are significant variances between the final budget and actual amounts for a number of the current expenditure items. Being a newly formed organization, many expenditures were estimated and not based on actual comparisons with previous years' expenditures. Overestimating the need for part-time employees and associated benefits, higher than estimated liability and worker's compensation insurance premiums and a savings in necessary program supplies all contributed to the significant variances between the final budget and actual amounts.

Capital Assets and Debt Administration

Capital Assets: The DeWitt Area Recreation Authority has no investments in capital assets.

Long-term Obligations: The DeWitt Area Recreation Authority does not have any outstanding debt issues. The only long-term obligation the Authority currently has relates to compensated absences (e.g., unused vacation and personal leave). The total liability for this long-term obligation at December 31, 2003 is \$2,692.

Economic Factors and Next Year's Budget and Rates

For the fiscal year ending December 31, 2004, we anticipate increased revenues and expenditures based on a 12 month fiscal year versus the 6 month fiscal year ended on December 31, 2003. With a guaranteed intergovernmental revenue contribution, economic factors will not greatly impact the financial condition of the Authority. Poor economic conditions may decrease discretionary income thus decreasing revenue based on program participation numbers.

Because the services of the DeWitt Area Recreation Authority are provided based on the ability to pay, a substantial fee increase is unlikely. Higher operating costs will continue to increase expenditures and may directly result in nominal fee increases for Authority programs to the general public. The increased fees for programs will directly result from increases in operating costs to provide them.

Requests for Information

This financial report is designed to provide a general overview of the DeWitt Area Recreation Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

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BASIC FINANCIAL STATEMENTS

DeWitt Area Recreation Authority

GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS

December 31, 2003

	Special Revenue Fund	Adjustments	Statement of Net Assets
ASSETS			
Cash	\$ 60,968	\$ -	\$ 60,968
LIABILITIES			
Current			
Accounts payable	\$ 4,540	-	4,540
Accrued wages	987	-	987
Other accrued liabilities	809	-	809
Deferred revenue	3,775	-	3,775
Current portion of compensated absences	-	1,884	1,884
Total current liabilities	10,111	1,884	11,995
Non-current			
Compensated absences	-	808	808
Total liabilities	10,111	2,692	12,803
FUND BALANCE/NET ASSETS			
Fund balance			
Unreserved - undesignated	50,857	(50,857)	-
TOTAL LIABILITIES AND FUND BALANCE	\$ 60,968	-	-
NET ASSETS			
Unrestricted		\$ 48,165	\$ 48,165

See accompanying notes to financial statements.

DeWitt Area Recreation Authority

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

Six Months Ended December 31, 2003

	Special Revenue Fund	Adjustments	Statement of Activities
EXPENDITURES/EXPENSES			
Current			
Salaries and wages	\$ 33,886	\$ 2,692	\$ 36,578
Fringe benefits	8,891	-	8,891
Supplies and materials	10,146	-	10,146
Postage	511	-	511
Program costs	10,140	-	10,140
Contracted services	3,836	-	3,836
Telephone	1,048	-	1,048
Rent	1,200	-	1,200
Insurance	6,424	-	6,424
Dues and memberships	350	-	350
Training and conferences	2,618	-	2,618
Mileage	585	-	585
Other	1,127	-	1,127
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES/EXPENSES	80,762	2,692	83,454
PROGRAM REVENUES			
Charges for services	30,750	-	30,750
	<hr/>	<hr/>	<hr/>
NET PROGRAM EXPENSE			(52,704)
GENERAL REVENUES			
Intergovernmental - local	100,000	-	100,000
Interest	214	-	214
Other	655	-	655
	<hr/>	<hr/>	<hr/>
TOTAL GENERAL REVENUES	100,869	-0-	100,869
	<hr/>	<hr/>	<hr/>
EXCESS OF REVENUES OVER EXPENDITURES	50,857	(50,857)	-
	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	-	48,165	48,165
Fund balance/Net assets			
Beginning of year	-	-	-
	<hr/>	<hr/>	<hr/>
End of year	\$ 50,857	\$ -0-	\$ 48,165
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to financial statements.

DeWitt Area Recreation Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The DeWitt Area Recreation Authority is a joint venture between DeWitt Charter Township and the City of Dewitt, and was established in 2003 to provide recreation services. The Authority's activities are overseen by a six (6) member board of Directors, with each municipality appointing three (3) members. Each municipality provides annual appropriations to subsidize operations. The initial contribution approved by the Authority requires DeWitt Charter Township and the City of DeWitt to provide approximately 56 and 44 percent, respectively.

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity*; and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements are exclusive presentations of the financial condition and results of operations of the DeWitt Area Recreation Authority. The Authority is considered a "joint venture" of DeWitt Charter Township and the City of DeWitt.

2. Basis of Presentation and Measurement Focus

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the Authority as a whole.

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, adjustments are reflected on the face of the financial statements. Those adjustments are explained in detail in Note E.

The statement of activities presents the direct functional expenses of the Authority and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes interest and all local government appropriations and shows how governmental functions are either self-financing or supported by the general revenues of the Authority.

FUND FINANCIAL STATEMENTS

The Authority uses a single fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The governmental fund financial statements present the Authority's individual major fund.

The governmental fund is presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues) and decreases (i.e., expenditures) in net current assets.

DeWitt Area Recreation Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
- CONTINUED**

2. Basis of Presentation and Measurement Focus - continued

The major fund of the Authority is:

Special Revenue Fund - This fund is used to account for all financial resources of the Authority, which are restricted to expenditures for specified recreation related purposes.

3. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The government-wide financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Revenues for grants and contributions are recognized when all eligibility requirements imposed by the provider have been met. Deferred revenue is recorded when resources are received by the Authority before it has legal claim to them, such as when program fees are received. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current period. Revenues susceptible to accrual include state and federal grants and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

The Authority reports deferred revenue on its governmental fund balance sheet. Deferred revenues arise when the Authority receives resources before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

4. Budgets and Budgetary Accounting

The annual budget of the Authority is prepared by Authority management and approved by the Board at the total expenditure level. Any revisions to the original budget are approved by the Board before the end of the fiscal year.

5. Cash

Cash consists of the Authority's money market checking account.

6. Deferred Revenue

The Authority has recorded deferred revenue at both the government-wide and the fund level equaling the amount of program fees received from participants for the subsequent year's programs.

DeWitt Area Recreation Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
- CONTINUED

7. Compensated Absences

The Authority employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for certain portions of unused accumulated vacation and sick time. This amount, along with related payroll taxes has been recorded as a long-term liability in the government-wide financial statements.

8. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since this is the first year the Authority has been in operation.

9. Implementation of GASB Statement No. 34

As of July 1, 2003, the Authority implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement) along with all related statements and interpretations. Some of the significant changes to the governmental reporting format include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Authority's overall financial position and results of operations has been included.
- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Authority's activities have been provided. Reconciliations are presented on the face of the financial statements between the governmental fund level (modified accrual) and government-wide (full accrual) statements since their measurement focus is not the same.
- The fund financial statements focus on major funds rather than fund types.

This implementation has also required certain disclosures to be made in the notes to the financial statements concurrent with the implementation of Statement No. 34 based on GASB Statement No. 38.

NOTE B: CASH

In accordance with Michigan Compiled Laws, the Authority is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.

DeWitt Area Recreation Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE B: CASH - CONTINUED

4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States Banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Corporation or Government National Mortgage Association.

The Authority's bank deposits at December 31, 2003, are composed of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash		
Checking account	\$ <u>60,968</u>	\$ <u>62,662</u>

Bank deposits of the Authority are at federally insured banks located in the State of Michigan with the account maintained in the name of the Authority. As of December 31, 2003, the Authority's account was fully insured by the FDIC.

NOTE C: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the Authority for the six months ended December 31, 2003:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2003</u>	<u>Amounts due within one year</u>
Compensated absences	\$ <u>-</u>	\$ <u>2,692</u>	\$ <u>-</u>	\$ <u>2,692</u>	\$ <u>1,884</u>

Significant details regarding outstanding long-term debt are presented below:

Compensated absences

Employees of the Authority are granted vacation time in varying amounts based on length of service. Upon termination of employment, employees are paid accumulated sick leave and vacation at full current rate of pay.

Accumulated sick leave and vacation pay represent a liability to the Authority and is presented as a long-term liability. Payments to employees for sick leave and vacation pay are recorded as expenditures when they are used and payments are actually made to the employees.

At December 31, 2003, the Authority's total liability for sick leave and vacation pay amounted to \$2,692. The amount of \$1,884 is recorded as a current liability, and the balance of \$808 is recorded as a long-term liability.

DeWitt Area Recreation Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE D: RISK MANAGEMENT

The Authority carries commercial insurance for the risk of loss due to workers' compensation claims.

The Authority also participates in a State pool, the Michigan Municipal Risk Management Authority, with other municipalities for property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The Authority has no liability for additional assessments based on the claims filed against the pool nor do they have any rights to dividends.

NOTE E: RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of the Authority's governmental fund differs from net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities, respectively. This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following are reconciliations of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total fund balance - governmental fund	\$ 50,857
Amounts reported in the statement of net assets are different because:	
Compensated absences are included as a liability	<u>(2,692)</u>
Net assets of governmental activities	<u>\$ 48,165</u>
Net change in fund balance - governmental fund	\$ 50,857
Amounts reported in the statement of activities are different because:	
Increase in the accrual for long-term compensated absences reported as an expenditure in the statement of activities, but not in the fund statements.	<u>(2,692)</u>
Change in net assets of governmental activities	<u>\$ 48,165</u>

REQUIRED SUPPLEMENTARY INFORMATION

DeWitt Area Recreation Authority

BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND

Six Months Ended December 31, 2003

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental - local	\$ 100,000	\$ 100,000	\$ 100,000	\$ -0-
Charges for services	29,000	29,000	30,750	1,750
Interest	1,000	1,000	214	(786)
Other	500	500	655	155
TOTAL REVENUES	130,500	130,500	131,619	1,119
EXPENDITURES				
Current				
Salaries and wages	40,220	40,220	33,886	6,334
Fringe benefits	13,300	13,300	8,891	4,409
Supplies and materials	9,750	9,750	10,146	(396)
Postage	700	700	511	189
Program costs	17,800	17,800	10,140	7,660
Contracted services	4,900	4,900	3,836	1,064
Telephone	1,200	1,200	1,048	152
Rent	1,200	1,200	1,200	-0-
Insurance	5,000	5,000	6,424	(1,424)
Dues and memberships	330	330	350	(20)
Training and conferences	2,000	2,000	2,618	(618)
Mileage	250	250	585	(335)
Other	1,600	1,600	1,127	473
TOTAL EXPENDITURES	98,250	98,250	80,762	17,488
EXCESS OF REVENUES OVER EXPENDITURES	32,250	32,250	50,857	18,607
Fund balance, beginning	-	-	-	-0-
Fund balance, ending	\$ 32,250	\$ 32,250	\$ 50,857	\$ 18,607

Principals

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Member:
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Public Accountants
and
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Certified Public
Accountants

MANAGEMENT LETTER

Members of the Board of Commissioners
DeWitt Area Recreation Authority
DeWitt, Michigan

As you know, we have recently completed our audit of the records of the DeWitt Area Recreation Authority as of and for the six (6) months ended December 31, 2003. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. These suggestions are the result of our evaluation of the internal control structure and our discussions with management.

1. Purchase orders should be presented and approved prior to purchasing goods.

During the course of our audit, we noted two (2) instances in which purchase orders had been prepared and approved subsequent to the ordering, and often the receipting, of merchandise.

We suggest the Authority assure that all purchase orders have been prepared and approved prior to committing the Authority to the purchase of merchandise. Adhering to this practice will improve internal control over the acquisition process.

2. All timesheets should be approved by management prior to payment.

During the course of our audit, we noted two (2) instances in which employee timesheets had not been initialed by management to evidence that they had been reviewed and approved prior to payment.

We suggest the Authority assure that all employee timesheets are reviewed by management and document approval prior to disbursing payroll checks. Reviewing and documenting approval will strengthen and improve the internal control over payroll disbursements.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements, and this report does not affect our report on the financial statements dated March 9, 2004.

This report is intended solely for the information and use of the management and Board of Commissioners of the DeWitt Area Recreation Authority and is not intended to be used by anyone other than these specific parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss these suggestions with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 9, 2004