

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 Davison Richfield Senior Citizens Authority		County Genesee
Fiscal Year End June 30, 2007		Opinion Date October 1, 2007		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"/>	Not required	
Certified Public Accountant (Firm Name) Plante & Moran, PLLC		Telephone Number (810) 767-5350	
Street Address 111 E Court Street, Suite 1A		City Flint	State Zip MI 48502
Authorizing CPA Signature 		Printed Name Peggy Haw Jury, CPA, CFE	License Number 1101009025

Financial Report

**Davison Richfield Senior Citizens Authority
Davison, Michigan**

June 30, 2007

**Davison Richfield Senior Citizens Authority
Financial Report
Year Ended June 30, 2007**

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Introductory Section

**Davison Richfield Senior Citizens Authority
Davison, Michigan
List of Appointed Board Members**

Gerald Richards	Chairperson
James Hansen	Vice Chairperson
Joyce Schneider	Secretary
Karen Miller	Treasurer
Ron Emery	
Marion Callis	
Norma Vohwinkle	

Financial Section

Independent Auditor's Report

Davison Richfield Senior Citizens Board
Davison Richfield Senior Citizens Authority
Davison, Michigan

We have audited the financial statements of the general fund and the governmental activities of the Davison Richfield Senior Citizens Authority, Davison, Michigan (Authority) as of and for the year ended June 30, 2007, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions 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 basic 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund and the governmental activities of the Davison Richfield Senior Citizens Authority, Michigan as of June 30, 2007, and the respective 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 budgetary comparison information 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 Authority's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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.

Plante & Moran, PLLC

October 10, 2007

Management's Discussion and Analysis

**Davison Senior Citizens Authority
Management's Discussion and Analysis
June 30, 2007**

As management of Davison Senior Citizen's Authority (Authority), we offer readers of Davison Senior Citizen's Authority's financial statements this narrative overview and analysis of the financial activities of the Davison Senior Citizen's Authority.

The basic financial statements for the Davison Senior Citizen's Authority are comprised of the governmental fund balance sheet/statement of net assets, governmental fund 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 fund for both the assets and liabilities, with the difference between the two reported as net assets.

The statement of activities presents information showing how the governmental fund's 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 fund and government-wide financial statements.

Financial Highlights

The government-wide financial analysis focuses on the Statement of Net Assets and the Statement of Activities. The total net assets of the Authority are \$1,314,268 of which \$1,288,511 represents capital assets net of related debt. The liabilities are \$139,854, which represents amounts due to Davison Township of \$20,677, a refundable advance from the County grant of \$65,318, trip deposits payable of \$42,967, \$10,026 of amounts due to vendors and employees, and \$866 capital lease payable, leaving net assets of \$1,301,303. The restricted net assets are restricted for memorials (\$4,278) and the Euchre Club (\$961).

Net assets increased \$27,596 for the Authority as a result of \$249,465 in Senior Center expenses which were offset by local contributions and charges for services of \$274,615 and general revenues of \$2,446.

General Fund Budgetary Highlights

The Authority adopted and amended their original budget during the year. Actual revenues (\$230,461) exceeded actual expenditures (\$211,530) by \$18,931. The Authority budget reflected revenue and expenses for senior trips at gross; however, during the year they were netted together.

Government-wide Financial Analysis

Davison Richfield Senior Citizens Authority's Net Assets

Governmental Activities

	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 164,745	\$ 92,406
Capital assets	<u>1,289,377</u>	<u>1,279,846</u>
Total assets	<u>1,454,122</u>	<u>1,372,252</u>
Other liabilities	139,161	85,580
Long-term liabilities	<u>693</u>	<u>-</u>
Total liabilities	<u>139,854</u>	<u>85,580</u>
Net assets:		
Invested in capital assets, net of related debt	1,288,511	1,279,846
Restricted for memorials	4,278	5,742
Restricted for Euchre Club	961	1,084
Unrestricted	<u>20,518</u>	<u>-</u>
Total net assets	<u>\$1,314,268</u>	<u>\$1,286,672</u>

Davison Richfield Senior Citizens Authority's Capital Assets - Net of Depreciation

Governmental Activities

	<u>2007</u>	<u>2006</u>
Land	\$ 115,437	\$ 115,437
Land improvements	320,706	330,069
Building	834,454	813,707
Furniture and fixtures	17,936	20,633
Equipment capital lease	<u>844</u>	<u>-</u>
Total	<u>\$1,289,377</u>	<u>\$1,279,846</u>

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$1,314,268 at the close of the most recent fiscal year. By far the largest portion of the Authority's net assets (98%) reflects its investment in capital assets.

During fiscal 2007 net assets were restated to correct an error in recording trip deposits payable as a reservation of net asset instead of a liability. The effect of the restatement was to record a liability of \$31,218 at June 30, 2006 and reduce net asset by the same amount.

Current and other assets increased \$72,339 because the cash balance in the general checking account at June 30, 2007 was higher due to the receipt of an advance on the County senior millage grant..

Capital asset activity, in fiscal year 2007, included additions of \$55,960 as follows: primarily enhancements to the senior center building, the My Senior Center software system, and a copy machine. The copy machine was purchased through a capital lease. Depreciation expense of \$46,428 was recorded in 2007.

**Davison Richfield Senior Citizens Authority's
Changes in Net Assets**

Governmental Activities

	<u>2007</u>	<u>2006</u>
Revenues		
Program revenues:		
Intergovernmental local contributions	\$ 229,517	\$ 103,724
Charges for services	45,098	15,693
General revenues:		
Miscellaneous income	2,446	3,938
Total revenues	277,061	119,417
Expenses and losses:		
Senior Center	249,465	156,987
Total expenses	249,465	156,987
Increase (decrease) in net assets	27,596	(33,632)
Net assets beginning of the year, as restated	1,286,672	1,320,304
Net assets - end of the year	\$1,314,268	\$1,286,672

Intergovernmental local contributions increased \$125,793 from prior year mainly due to revenue being recognized for construction on the Authority's building contributed to the Authority by Davison Township (\$46,600), revenue being recognized for the new Genesee County grant (\$35,797), and an increase in local contributions from the participating municipalities (\$43,396) in the current year. The construction was funded with a community development block grant through the Township.

Charges for services increased \$29,405 from prior year due to increased revenue from programs.

Senior Center expenditures increased \$92,478 primarily due to increased expenses associated with programs (\$18,151), a contribution to MERS for the director's retirement (\$45,754), and capital outlay (\$11,896).

Contacting the Senior Citizens' Management

The financial report is intended to provide our citizens and customers with a general overview of the Senior Citizens' finances and to show the Senior Citizens' accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Senior Citizens' office.

Basic Financial Statements

Davison-Richfield Senior Citizens Authority
Statement of Net Assets and
Governmental Fund Balance Sheet
General Fund
June 30, 2007

	General Fund	Adjustments (Note II A)	Statement of Net Assets
Assets			
Cash	\$ 99,474	\$ -	\$ 99,474
Due from other governments	19,754	-	19,754
Prepaid insurance	2,550	-	2,550
Restricted cash	42,967	-	42,967
Capital assets, not subject to depreciation	-	115,437	115,437
Capital assets, subject to depreciation	-	1,173,940	1,173,940
Total assets	\$ 164,745	1,289,377	1,454,122
Liabilities			
Accounts payable	\$ 8,914	-	8,914
Accrued and other liabilities	962	-	962
Refundable deposits	150	-	150
Due to other governments	20,677	-	20,677
Trip deposits payable	42,967	-	42,967
Refundable advance	65,318	-	65,318
Noncurrent liabilities:			
Capital lease - due within one year	-	173	173
Capital lease - due in more than one year	-	693	693
Total liabilities	138,988	866	139,854
Fund Balance/Net Assets			
Reserved for prepaids	2,550	(2,550)	-
Reserved for Euchre Club	961	(961)	-
Reserved for memorials	4,278	(4,278)	-
Unrestricted and undesignated	17,968	(17,968)	-
Total fund balances	25,757	(25,757)	-
Total liabilities and fund balances	\$ 164,745		
Net assets:			
Invested in capital assets, net of related debt		1,288,511	1,288,511
Restricted for euchre club		961	961
Restricted for memorials		4,278	4,278
Unrestricted		20,518	20,518
Total net assets		\$ 1,314,268	\$ 1,314,268

See notes to financial statements.

Davison-Richfield Senior Citizens Authority
Statement of Activities and
Governmental Fund Revenue, Expenditures, and
Changes in Fund Balance
General Fund
Year Ended June 30, 2007

	<u>General Fund</u>	<u>Adjustment (Note II B)</u>	<u>Statement of Activities</u>
Expenditures/Expenses			
Senior center	\$ 211,530	\$ 37,935	\$ 249,465
Program Revenues			
Intergovernmental			
Local contributions - Municipal billings	147,120	46,600	193,720
Local contributions - Senior millage grant	35,797	-	35,797
Charges for services	45,098	-	45,098
Total program revenues	228,015	-	274,615
Net program revenue (expenditures)			25,150
General Revenues			
Miscellaneous income	2,446	-	2,446
Excess of revenue over expenditures/ change in net assets	18,931	8,665	27,596
Fund Balance/Net Assets			
Beginning of the year, as restated	6,826	1,279,846	1,286,672
End of the year	<u>\$ 25,757</u>	<u>\$ 1,288,511</u>	<u>\$ 1,314,268</u>

See notes to financial statements.

Notes to Basic Financial Statements

Davison Richfield Senior Citizens Authority
Davison, Michigan
Notes to Basic Financial Statements
June 30, 2007

I. Summary of significant accounting policies

The accounting policies of the Davison Richfield Senior Citizens Authority (Authority) 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 Davison Richfield Senior Citizens Authority.

A. Reporting entity

The Davison Richfield Senior Citizens Authority (Authority) was formed in September 1979, by an agreement between the City of Davison and Davison Township. Richfield Township entered the joint venture effective July 1, 1996. The purpose of the Authority is to operate a senior citizens center to provide facilities for recreation and activities for senior citizens who live in the City of Davison, the Township of Davison, and the Township of Richfield. The agreement provides that operating expenses in excess of program revenues generated by activities of the Center will be funded equally between the three municipalities.

The Authority is governed by a seven-member Board appointed by the governing bodies of the participating members. The Authority is required to submit an annual operating budget to the governing body of each municipality for approval. Any of the members may withdraw from the Authority by giving written notice one year prior to withdrawal. The withdrawing municipality shall convey its interest to the other participating municipality and shall be reimbursed for its share according to a mutual payment plan which will be consistent with allowable budget expenditures.

Each of the three participating municipalities made a contribution of \$49,040, for a total of \$147,120 for the year ended June 30, 2007.

The accompanying financial statements present the government and its component units, legally separate entities for which the Authority is considered to be financially accountable. The Authority did not have any component units at June 30, 2007.

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 revenue*.

Davison Richfield Senior Citizens Authority
Davison, Michigan
Notes to Basic Financial Statements
June 30, 2007

I. Summary of significant accounting policies – (continued)

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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The Authority does not have any proprietary or fiduciary funds.

Governmental fund financial statements (i.e. the balance sheet and governmental statement of revenue, 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 (net current assets) is considered a measure of “available spendable resources.” Revenue is recognized as soon as they are both measurable and available. Revenue is 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.

Municipal billings associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major 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. Cash

The Authority’s cash includes cash on hand and demand deposits.

2. Prepaid items

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Davison Richfield Senior Citizens Authority
Davison, Michigan
Notes to Basic Financial Statements
June 30, 2007

I. Summary of significant accounting policies – (continued)

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

3. Capital assets

Capital assets, which include land, buildings, 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 \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. 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.

Furniture and fixtures are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	39
Building	39
Furniture and equipment	7

4. Restricted cash

Restricted cash consist of deposits made by seniors to be used exclusively for upcoming trips.

5. Refundable advance

Refundable advance is funds received from Genesee County which would have to be returned if not expended for the grant purposes within the contract period.

6. 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.

7. 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.

Davison Richfield Senior Citizens Authority
Davison, Michigan
Notes to Basic Financial Statements
June 30, 2007

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance -total governmental funds* and *net assets -governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the Governmental Fund Balance Sheet. The details of this difference at June 30, 2007 are as follows:

Fund Balances – Total Governmental Funds	\$ 25,757
Capital lease obligations	(866)
Capital assets, net of accumulated depreciation	<u>1,289,377</u>
Net assets of governmental activities	<u><u>\$1,314,268</u></u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances -total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures at the time of purchase. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The statement of activities also recognizes donated capital assets as revenue. The fund statement does not. The details of this difference for the year ended June 30, 2007 are as follows:

Net Change in Fund Balances – Total Governmental Funds	\$ 18,931
Purchase of capital assets	9,360
Purchase of capital assets through a participating unit's grant	46,600
Depreciation expense	(46,429)
Capital lease	<u>(866)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 27,596</u></u>

III. Stewardship, compliance, and accountability

Budgetary information

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, a proposed operating budget is submitted to the Authority Board for the year commencing July 1. The operating budget, which is prepared on a basis consistent with accounting principles generally accepted in the United States of America, includes total proposed expenditures, and the means of financing them, for the General Fund.

Davison Richfield Senior Citizens Authority
Davison, Michigan
Notes to Basic Financial Statements
June 30, 2007

III. Stewardship, compliance, and accountability – (continued)

Budgetary information – (continued)

2. After the Board reviews the proposed budget, it is then sent to the three municipalities for their approval. The budget is legally adopted on a fund basis after each municipality submits its approval to the Authority Board.
3. Any revisions that alter the total expenditures of the General Fund must first be approved by the Board and then by each municipality.
4. Budget appropriations lapse at year end.
5. Budgeted amounts are reported on the financial statements as originally adopted and as finally amended by the Authority Board.

IV. Detailed notes on all funds

A. Deposits

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental 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 United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Authority has designated JP Morgan Chase for the deposit of its funds. The investment policy adopted by the Board is in accordance with Public Act 196 of 1997 as listed above. The Authority's deposits are in accordance with statutory authority.

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 government does not have a deposit policy for custodial credit risk. At year end, the Authority had \$44,801 of bank deposits (certificates of deposit) that were uninsured and uncollateralized. The Authority 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 Authority evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Davison Richfield Senior Citizens Authority
Davison, Michigan
Notes to Basic Financial Statements
June 30, 2007

IV. Detailed notes on all funds – (continued)

B. Capital assets

Capital asset activity for the year ended June 30, 2007 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land *	\$ 115,437	\$ -	\$ -	\$ 115,437
Total capital assets not being depreciated	<u>115,437</u>	<u>-</u>	<u>-</u>	<u>115,437</u>
Capital assets being depreciated:				
Land improvements *	365,304	-	-	365,304
Building *	961,654	46,600	-	1,008,254
Furniture and fixtures	114,002	8,375	-	122,377
Equipment capital lease	-	985	-	985
Total capital assets being depreciated	<u>1,440,960</u>	<u>55,960</u>	<u>-</u>	<u>1,496,920</u>
Less accumulated depreciation for:				
Land improvements	(35,236)	(9,363)	-	(44,599)
Building	(147,947)	(25,852)	-	(173,799)
Furniture and fixtures	(93,368)	(11,073)	-	(104,441)
Equipment capital lease	-	(141)	-	(141)
Total accumulated depreciation	<u>(276,551)</u>	<u>(46,429)</u>	<u>-</u>	<u>(322,980)</u>
Total capital assets, being depreciated, net	<u>1,164,409</u>	<u>9,531</u>	<u>-</u>	<u>1,173,940</u>
Governmental activities capital assets, net	<u>\$1,279,846</u>	<u>\$ 9,531</u>	<u>\$ -</u>	<u>\$1,289,377</u>

* All land, land improvements, and building were funded through federal grant dollars which will require program income from a sale to be returned to the granting agency.

Davison Richfield Senior Citizens Authority
Davison, Michigan
Notes to Basic Financial Statements
June 30, 2007

IV. Detailed notes on all funds – (continued)

C. Defined benefit plan

Plan description:

Effective July 1, 2006, the Authority participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan that covers one employee of the Authority. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Funding policy:

The plan provides that the employer/employees contribute amounts necessary to fund the actuarially determined benefits. The employee is required to contribute 5% of gross wages. The Authority makes employer contributions in accordance with funding requirements determined by MERS' actuary. The Township's current rate was 14.43% of gross wages.

Annual pension cost:

For year ended June 30, 2007 the Authority's annual pension cost of \$45,754 for the plan was equal to the Authority's required actual contribution. The annual required contribution was determined as part of an initial actuarial valuation at July 1, 2006, using the entry age actuarial cost method.

Three year trend information:

	<u>Fiscal year ended June 30:</u> <u>2007</u>
Annual pension cost	\$ 45,754
Percentage of APC contributed	115%
Net pension obligation	-0-

Actuarial assumptions:

Valuation date	July 1, 2006
Actuarial cost method	Entry age normal
Amortization method	Level percent
Remaining amortization period	30 years - open
Asset valuation method	10 year smoothed market
Investment rate of return	8.0%
Projected salary increases	4.5% - 12.90%
Includes inflation at	4.5%

Davison Richfield Senior Citizens Authority
Davison, Michigan
Notes to Basic Financial Statements
June 30, 2007

V. Risk management

The Authority is exposed to various risks at loss related to property loss, torts, errors and omissions, and employee injuries, as wells as medical benefits provided to employees. The Authority has purchased commercial insurance for coverage of all claims except full-time employee unemployment benefits. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The Authority pays unemployment claims on a reimbursement basis.

VI. Capital Lease

The Authority has entered into a lease agreement as lessee for financing the purchase of a copy machine. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value are as follows:

<u>Years Ending June 30</u>	<u>Amount</u>
2008	\$ 252
2009	252
2010	252
2011	252
2012	<u>63</u>
Total minimum lease payments	1,071
Less amount representing interest	<u>(205)</u>
Present value	<u>\$ 866</u>

VII. Subsequent Events

On July 2, 2007, the Authority received a letter from Richfield Township indicating that they will be withdrawing from the Authority effective June 30, 2008.

VIII. Prior Period Adjustment

The financial statements for the year ending June 30, 2006 have been restated to correct an error recording trip deposits payable as a reservation of fund balance and restricted net assets made in the year ending June 30, 2006. The effect of the restatement was to decrease net assets and fund balance for the year ending June 30, 2006 by \$57,471.

Required Supplementary Information

Davison-Richfield Senior Citizens Authority
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2007

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental -				
Local contributions - Municipal billings	\$ 153,825	\$ 153,825	\$ 147,120	\$ (6,705)
Local contributions - Senior Grant	-	101,115	35,797	(65,318)
Charges for services	153,200	223,330	45,098	(178,232)
Miscellaneous income	4,097	2,862	2,446	(416)
Total revenue	311,122	481,132	230,461	(250,671)
Expenditures				
Current:				
Director - salary	38,048	40,706	40,847	(141)
Assistant Director - Salary	23,920	25,238	25,304	(66)
MERS - Initial contribution	39,818	39,818	39,818	-
MERS - Annual contribution	5,655	5,833	5,936	(103)
Payroll taxes	4,741	5,045	5,018	27
Program expenses	11,000	19,300	18,151	1,149
Office and operating supplies	7,850	4,200	5,178	(978)
Newletters	-	4,850	4,026	824
Telephone	2,900	4,400	4,447	(47)
Insurance	4,000	4,396	4,396	-
Sewer and water	1,800	2,800	1,929	871
Gas	4,000	4,500	4,287	213
Electricity	8,000	8,600	9,612	(1,012)
Auditing fees	2,500	2,800	2,800	-
Repair and maintenance	23,762	25,084	22,501	2,583
Miscellaneous	1,928	1,500	1,419	81
Membership and conference	700	950	899	51
Transportation	200	250	450	(200)
Trips and travel	105,398	200,000	-	200,000
Memorial expense	-	2,208	2,208	-
Euchre expense	-	408	408	-
Capital outlay	1,000	13,000	11,896	1,104
Total expenditures	287,220	415,886	211,530	204,356
Excess of revenue over expenditures	23,902	65,246	18,931	(46,315)
Fund Balance - Beginning of year, as restated	6,826	6,826	6,826	-
Fund Balance - End of year	\$ 30,728	\$ 72,072	25,757	\$ (46,315)

October 10, 2007

To Board Members of
Davison Richfield Senior Citizen's Authority
Davison, Michigan

Dear Board Members:

In planning and performing our audit of the financial statements of Davison Richfield Senior Citizen's Authority as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that all of the following deficiencies constitute material weaknesses.

During the current fiscal year, the Authority was the recipient of a new senior grant from Genesee County. The grant funds were received in advance and required any unspent funding to be returned at the end of the grant period. In addition to the above requirement, the grant further stipulated that the three participating municipalities contribute 50% of their prior year contribution. The Authority conveyed the above requirements during the audit and sought our guidance in determining the amount refundable at year end.

To the Board Members of
Davison Richfield Senior
Citizen's Authority

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October 10, 2007

A prior period adjustment was made to the beginning of the year net assets to recognize the unspent portion of scheduled senior trips as a liability. In prior years the unspent portion had been shown as restricted net assets. In the event a scheduled trip does not occur, the deposits held by the Authority are required to be returned to the senior citizens.

This communication is intended solely for the information and use of management, board members, others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Plante & Moran, PLLC

A handwritten signature in black ink that reads "Peggy Haw Jury". The signature is written in a cursive style with a large initial "P" and a long, sweeping underline.

Peggy Haw Jury, CPA, CFE