

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 type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	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 type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>		Printed Name		License Number

CHELSEA RECREATION COUNCIL

Chelsea, Michigan

FINANCIAL STATEMENTS

August 31, 2007

CHELSEA RECREATION COUNCIL

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INDEPENDENT AUDITORS' REPORT

Council Members
Chelsea Recreation Council
Chelsea, Michigan

We have audited the accompanying financial statements of the business-type activities as of and for the year ended August 31, 2007, which comprises the Council's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Chelsea Recreation Council management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Chelsea Recreation Council, as of August 31, 2007, and the respective changes in financial position and cash flows 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 and budgetary comparison schedules as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental 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 Chelsea Recreation Council's, basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Berthiaume & Co.

October 19, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

CHELSEA RECREATION COUNCIL

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Chelsea Recreation Council's financial performance provides an overview of the Council's financial activities for the fiscal year ended August 31, 2007. Please read it in conjunction with the Council's financial statements.

Chelsea Recreation Council as a Whole

The following table shows, in condensed format, the net assets as of the current date, for the year ended August 31, 2007 and 2006.

Statement of Net Assets

	<u>2007</u>	<u>2006</u>
Assets:		
Current assets	\$ 80,477	\$ 67,438
Noncurrent assets	2,152	2,313
Total assets	82,629	69,741
Current liabilities	7,905	8,805
Net Assets:		
Invested in capital assets	2,152	2,313
Unrestricted	72,572	58,623
Total net assets	\$ 74,724	\$ 60,936

Statement of Activities

Revenues:		
Program revenues	\$ 250,584	\$ 162,491
Operating grants and contributions	16,700	3,500
General revenues	14,266	15,245
Total revenues	281,550	181,236
Expenses:		
Recreation program expenses	267,762	191,720
Increase (decrease) in net assets	13,788	(10,484)
Net assets, beginning of year	60,936	71,420
Total net assets	\$ 74,724	\$ 60,936

The Council's combined net assets increased by approximately \$14,000 primarily due to the increase in programs. Program fees revenue increased by about \$88,000. This was due to an overall increase in participants. Rates have not been significantly increased. Grant revenues increased about \$13,000.

Some of the significant items this year are:

There were three (3) new programs added during the year: Aquatics Club and Summer Day Camp and Camp CABOGI. Revenues from these new programs were approximately \$95,000.

CHELSEA RECREATION COUNCIL

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Economic Factors

The Chelsea Recreation Council's budget for next year calls for minor changes. No significant economic factors have been identified.

Contacting the Council's Management

This financial report is intended to provide our citizens, customers, and investors with a general overview of the Council's finances and to show the Council's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Council's office at 510 E. Washington St. Chelsea, MI 48118.

BASIC FINANCIAL STATEMENTS

CHELSEA RECREATION COUNCIL

STATEMENT OF NET ASSETS

August 31, 2007

	Business- type Activities
Assets:	
Cash and cash equivalents	\$ 70,580
Receivables	800
Inventory	9,097
Capital assets:	
Depreciable capital assets, net	<u>2,152</u>
Total assets	<u>82,629</u>
Liabilities:	
Accounts payable	4,133
Deferred revenue	<u>3,772</u>
Total liabilities	<u>7,905</u>
Net Assets:	
Investment in capital assets	2,152
Unrestricted	<u>72,572</u>
Total net assets	<u>\$ 74,724</u>

The accompanying notes are an integral part of these financial statements.

CHELSEA RECREATION COUNCIL

STATEMENT OF ACTIVITIES

Year Ended August 31, 2007

	Business- type Activities
Expenses:	
Recreation programs	\$ 267,762
Program revenues:	
Charges for services	250,584
Operating income (loss)	(17,178)
Operating grants and contributions:	
United Way	3,000
City of Chelsea	8,000
Foundations	5,700
	16,700
General revenues:	
Interest	876
Sponsorships	7,275
Royalty	2,905
Other	3,210
	14,266
Change in net assets, net (expense) revenue	13,788
Net assets, beginning of year	60,936
Net assets, end of year	\$ 74,724

The accompanying notes are an integral part of these financial statements.

CHELSEA RECREATION COUNCIL

STATEMENT OF CASH FLOWS

Year Ended August 31, 2007

	Recreation Programs
Cash flows from operating activities:	
Cash received from program participants	\$ 252,161
Cash payments to employees	(77,253)
Cash payments for goods, services and other	(188,679)
	<hr/>
Net cash provided (used) by operating activities	(13,771)
	<hr/>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(500)
	<hr/>
Cash flows from non-capital financing activities:	
Contributions and grants	16,700
Sponsorships	7,275
Royalty	2,905
Other	3,210
	<hr/>
Net cash provided (used) by non-capital financing activities	30,090
	<hr/>
Cash flows from investment activities:	
Interest	876
	<hr/>
Net increase (decrease) in cash and cash equivalents	16,695
Cash and cash equivalents, beginning of year	53,885
	<hr/>
Cash and cash equivalents, end of year	\$ 70,580
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Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	\$ (17,178)
Adjustments:	
Depreciation	661
Change in assets and liabilities:	
Accounts receivable	580
Inventory	2,500
Prepaid expenses	566
Accounts payable	2,523
Deferred revenue	(3,423)
	<hr/>
Net cash provided by operating activities	\$ (13,771)
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

CHELSEA RECREATION COUNCIL

NOTES TO FINANCIAL STATEMENTS

August 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Chelsea Recreation Council, a recreation board, was established by the Village of Chelsea in 1971 under the provisions of public act 156 of 1917, as amended, to provide for the operation of a system of public recreation and playgrounds in cooperation with the Chelsea School District.

The accounting policies of the Chelsea Recreation Council conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Council. There are no component units. The Recreation Council is not a component of any other reporting entity.

Basis of Presentation – Fund Accounting:

The accounts of the Council are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Currently the council has only one business-type fund for its recreation program activities.

Basis of Accounting:

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government. These type of statements usually distinguish between activities that are governmental and those that are business-type activities. The Council currently has only one business-type fund/activity.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Council's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Council first utilizes restricted resources to finance qualifying activities. The Council currently has no restricted net assets.

The statement of activities reports both the gross and net cost of each of the Council's functions. The functions are also supported by general government revenues (certain intergovernmental revenues, if any, and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (interest income, etc.). The Council does not allocate indirect costs.

CHELSEA RECREATION COUNCIL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2007

The government-wide focus is on the sustainability of the Council as an entity and the change in the Council's net assets resulting from current year activities.

Program fees, grants, and other revenue, if any, 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 available only when cash is received by the government.

The Council reports its only fund as a major governmental fund as follows:

Recreation Fund – The Recreation Fund is used to account for the revenues and expenses for the operation of the recreation program.

Assets, Liabilities and Equity:

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

Inventories and Prepaid Items – Inventory consists of supplies (bats, balls, helmets, etc.) and athletic equipment (nets, backboards, etc.) which are used and re-used in program activities. The Council reports its inventory at the lower of cost or fair value. The fair value of the inventory, which is lower than original cost, is estimated at 25% of its current replacement cost. Certain payments to vendors reflect costs applicable to future fiscal years and may be recorded as prepaid items in the financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, if any, are recorded at their estimated fair market value at the date of donation. The Council defines capital assets as assets with an initial individual cost in excess of \$250. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Office equipment is depreciated using the straight-line method over the following useful lives:

Furniture and other equipment	5-10 years
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Compensated Absences – Employees are not allowed to accumulate vacation and sick pay and therefore, no accumulated amount has been reported in accordance with Governmental Accounting Standards Board's Statement No. 16 "Accounting for Compensated Absences."

Long-term Obligations – In the government-wide financial statements long-term debt and other long-term obligations, if any, are reported as liabilities in the applicable business-type activities statement of net assets. Currently the Council has no long-term obligations.

Deferred Revenue – The government-wide full accrual financial statements report deferred revenue in connection with revenue that has not been earned since it related to advance collection of program fees for programs which will be provided subsequent to the end of the current fiscal year. Also, grant monies received, if any, that have not been expended are reported as deferred revenue.

CHELSEA RECREATION COUNCIL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2007

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

NOTE 2: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The Council's cash is comprised of bank deposits that are reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$90,107. The entire amount was covered by federal depository insurance.

The Recreation Council's deposits are in accordance with statutory authority. The organization does not have any investments.

NOTE 3: CAPITAL ASSETS

Capital assets activity of the Council's business-type activity was as follows:

	Balance Sept. 1, 2006	Additions	Disposals and Adjustments	Balance Aug. 31, 2007
<i>Business-type activities:</i>				
Recreation capital assets:				
Capital assets being depreciated				
Office furniture and equipment	\$ 8,305	\$ 500	\$ -	\$ 8,805
Subtotal	8,305	-	-	8,305
Accumulated depreciation	5,992	661	-	6,653
Net recreation capital assets	2,313	(661)	-	2,152
Net business-type capital assets	\$ 2,313	\$ (161)	\$ -	\$ 2,152

Depreciation expense was charged to programs of the primary government as follows:

<i>Business-type activities:</i>	
Recreation	\$ 661
Total business-type activities	\$ 661

CHELSEA RECREATION COUNCIL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2007

NOTE 4: RISK MANAGEMENT

The Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Council manages its liability and property risk by participating in Michigan Municipal Risk Management Authority, a public entity risk pool providing property and liability coverage to its participating members. The Council pays an annual premium to Michigan Municipal Risk Management Authority for its insurance coverage. The Michigan Municipal Risk Management Authority is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Council manages its workers' compensation insurance by participating in Michigan Municipal League, a public entity risk pool providing workers' compensation coverage to its participating members. The Council pays an annual premium to Michigan Municipal League for its insurance coverage. The Michigan Municipal League is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based coverage for each incident to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 5: POST EMPLOYMENT BENEFITS

The Council does not currently provide any post employment benefits.

NOTE 6: DEFERRED REVENUE

Deferred revenue as of August 31, 2007 consists of the following:

Program fee receipts during August 2007 that are for the fall 2007 programs	<u>\$ 3,772</u>
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SUPPLEMENTAL FINANCIAL INFORMATION

CHELSEA RECREATION COUNCIL

DETAILED STATEMENT OF PROGRAM EXPENSES

For the Year Ended August 31, 2007

DIRECT RECREATION PROGRAM EXPENSES:

Advertising	\$ 4,590
Awards	2,204
Supplies and equipment inventory expense	9,288
Clinic camp payouts	4,143
Clinic instructors and coaches	7,759
Field maintenance	2,348
HS Helpers	90
Lifeguards	6,032
Mouth guards	316
Officials	10,150
Other	28,042
Payroll	28,691
Portable lavatory	938
Refunds	6,393
Set-up costs	1,385
Site supervisors	2,424
Supplies	11,627
T-shirts/uniforms/caps	24,445
Tournament fees	3,459
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Total direct program expenses	154,324

INDIRECT AND ADMINISTRATIVE PROGRAM EXPENSES:

Advertising	4,578
Audit and accounting	3,025
Bank, credit card, and paypal charges	3,900
Dues and fees	876
Depreciation	661
Insurance -- liability & WC	3,474
Maintenance and repairs	180
Office supplies and other expense	2,234
Other administrative expense	253
Postage	974
Professional development	950
Rent – copy machine	285
Rent – office	3,250
Rent – storage	1,275
Salaries and wages	77,253
Taxes – payroll	8,078
Telephone	1,942
Web site	250
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Total indirect and administrative expense	113,438
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Total recreation program expense	\$ 267,762