

**SOUTH LYON AREA RECREATION AUTHORITY**

**Annual Financial Report**

**For the Year Ended June 30, 2011**

**SOUTH LYON AREA  
RECREATION AUTHORITY**

**AUTHORITY BOARD**

Patricia Carcone  
David Murphy  
Mark St. Charles

**DIRECTOR**

Amy Allen

**AUDITORS**

Pfeffer, Hanniford & Palka  
Certified Public Accountants

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September 30, 2011

To the Members of the Board  
South Lyon Area Recreation Authority  
318 West Lake Street  
South Lyon, Michigan 48178

INDEPENDENT AUDITORS' REPORT

Dear Board Members:

We have audited the accompanying financial statements of the South Lyon Area Recreation Authority, as of and for the year ended June 30, 2011. These financial statements are the responsibility of South Lyon Area Recreation Authority Board. Our responsibility is to express an opinion on these financial statements based on the audit.

We conducted the 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 the 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 South Lyon Area Recreation Authority, as of June 30, 2011, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6 through 8 and 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operations, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Lyon Area Recreation Authority's basic financial statements. The supplementary information presented for purposes of additional analysis is not a required part of the basic financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

*Pfeffer, Hanniford & Palka, P.C.*

**PFEFFER, HANNIFORD & PALKA**  
Certified Public Accountants

## MANAGEMENT DISCUSSION AND ANALYSIS

## **Management Discussion and Analysis** **June 30, 2011**

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Within this section of South Lyon Area Recreation Authority's annual financial report, the Authority's management is providing a narrative discussion and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2011. This narrative discusses and analyzes the activity within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Authority's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

### **Overview of the Financial Statements**

Management's Discussion and Analysis introduces the Authority's basic financial statements. The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements. The Authority also includes in this report additional information to supplement the basic financial statements.

### ***Government-wide Financial Statements***

The Authority's annual reports include two government-wide financial statements. These statements provide both long-term and short-term information about the Authority's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the Authority-wide statement of position presenting information that includes all the Authority's assets and liabilities, with the difference 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 as a whole is improving or deteriorating. Evaluation of the overall health of the Authority may extend to various nonfinancial factors as well.

The second government-wide statement is the Statement of Activities which reports how the Authority's net assets changed during the current fiscal year. The design of this statement is to show the financial reliance of the Authority's distinct activities or functions on the revenues generated by the Authority.

### ***Fund Financial Statements***

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Authority uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

The Authority has one kind of fund as follows:

*Governmental funds* are reported in the financial statements and encompass essentially the same functions as governmental activities in the government-wide financial statements except with a different focus on the financial activity. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of these resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. Since the focus of the government-wide financial statements includes a long-term view, a reconciliation of these fund balances has been completed to detail its relation to net assets.

**Notes to the financial statements**

The accompanying notes to the financial statements provide information essential to a full understanding of both the government-wide and fund financial statements.

**Other information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information.

**Financial Analysis of the Authority as a Whole**

The Authority's net assets at the end of the fiscal year were \$ 3,914. This is a \$ 33,659 decrease over last year's net assets of \$ 37,573. This decrease was similar to the prior year.

The following tables provide a summary of the Authority's financial activities and changes in net assets:

**Summary of Net Assets**

	<b>Governmental Activities</b>	
	<b>6/30/2011</b>	<b>6/30/2010</b>
Current and other assets	\$ 90,212	\$ 160,458
Capital assets, net	1,781	2,743
<b>Total assets</b>	<b>91,993</b>	<b>163,201</b>
Accounts payable/accrued expenses	13,651	44,930
Deferred revenue	74,428	80,698
<b>Total liabilities</b>	<b>88,079</b>	<b>125,628</b>
Net assets:		
Invested in capital assets, net of related debt	1,781	2,743
Unrestricted	2,133	34,830
<b>Total net assets</b>	<b>\$ 3,914</b>	<b>\$ 37,573</b>

## Summary of Changes in Net Assets

	Governmental Activities	
	6/30/2011	6/30/2010
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 501,928	\$ 512,468
Operating grants and contributions	64,386	72,201
General revenues:		
Interest income	86	768
Miscellaneous	2,583	244
	568,983	585,681
<b>Expenses</b>		
Parks and recreation	602,642	638,788
<b>Changes in net assets</b>	(33,659)	(53,107)
<b>Beginning net assets</b>	37,573	90,680
<b>Ending net assets</b>	\$ 3,914	\$ 37,573

### **Financial Analysis of the Authority's Funds**

The Authority decreased its fund balance by \$32,697 compared to the decrease in fund balance in the prior year of \$53,484. The decrease is due primarily to decreased program fees collected.

South Lyon Area Recreation Authority has only one fund which reports all activity conducted by the Authority, the General Fund.

### **Capital Asset and Long-Term Debt Activity**

The Authority neither acquired nor disposed of any capital assets during the year ended June 30, 2011. In addition, there was no long-term debt issued or repaid during the year or any outstanding at year end.

### **General Fund Budgetary Highlights**

The Authority approved a budget prior to the start of the fiscal year, and immaterial adjustments to bring it closer to economic reality, especially for smaller wages.

### **Economic Conditions and Future Activities**

The Authority continues to develop relationships with local business and organizations. These collaborative efforts help to offset programming expenses and minimize duplication of services.

South Lyon Community Schools continues to be a primary partner.

### **Contacting the Authority's Financial Management**

This report is designed to provide a general overview of the Authority's financial position and comply with finance-related regulations. If you have any further questions about this report or request additional information please contact South Lyon Area Recreation Authority at 318 West Lake Street, South Lyon, Michigan 48178.



**BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

SOUTH LYON AREA RECREATION AUTHORITY

STATEMENT OF NET ASSETS  
JUNE 30, 2011

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 87,626
Prepaid expenses	2,586
Depreciable capital assets - net of depreciation	<u>1,781</u>
<b>Total assets</b>	<u>91,993</u>
<b>LIABILITIES</b>	
Accounts payable	4,195
Accrued wages	9,456
Deferred revenue	<u>74,428</u>
<b>Total liabilities</b>	<u>88,079</u>
<b>NET ASSETS</b>	
Investment in capital assets, net of related debt	1,781
Unrestricted	<u>2,133</u>
<b>Total net assets</b>	<u><u>\$ 3,914</u></u>

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

**SOUTH LYON AREA RECREATION AUTHORITY**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b>GOVERNMENTAL ACTIVITIES</b>				
Parks and recreation	<u>\$ (602,642)</u>	<u>\$ 501,928</u>	<u>\$ 64,386</u>	<u>\$ (36,328)</u>
		<b>General revenues</b>		
		Interest income		86
		Miscellaneous		2,583
				2,669
		<b>Total general revenues</b>		
				(33,659)
		<b>Changes in net assets</b>		
				37,573
		<b>Net assets, July 1, 2010</b>		
				\$ 3,914
		<b>Net assets, June 30, 2011</b>		

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

**FUND FINANCIAL STATEMENTS**

SOUTH LYON AREA RECREATION AUTHORITY

BALANCE SHEET  
GOVERNMENTAL FUND  
JUNE 30, 2011

	<u>Major Fund</u> <u>General Fund</u>
<b><u>ASSETS</u></b>	
<b>ASSETS</b>	
Cash and cash equivalents	\$ 87,626
Prepaid expenditures	<u>2,586</u>
<b>Total assets</b>	<u><u>\$ 90,212</u></u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 4,195
Accrued wages	9,456
Deferred revenue	<u>74,428</u>
<b>Total liabilities</b>	<u>88,079</u>
<b>FUND BALANCE</b>	
Non-spendable	2,586
Unassigned	<u>(453)</u>
<b>Total fund balance</b>	<u>2,133</u>
<b>Total liabilities and fund balance</b>	<u><u>\$ 90,212</u></u>

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

**SOUTH LYON AREA RECREATION AUTHORITY**

**RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2011**

Amounts reported for governmental activities in the Statement of Net Assets are different because:

<b>Total fund balance per balance sheet</b>	\$	2,133
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		
Historical cost	\$	28,978
Depreciation		<u>(27,197)</u>
<b>Capital assets net of depreciation</b>		<u>1,781</u>
<b>Net assets of governmental activities</b>	<b>\$</b>	<b><u>3,914</u></b>

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

**SOUTH LYON AREA RECREATION AUTHORITY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Major Fund General Fund</b>
<b>REVENUES</b>	
Member municipality contributions	\$ 59,386
Enrichment activities	117,648
Sports activities	177,385
Swim activities	150,572
other activities	10,343
Day Camp activities	21,900
Drivers education fees	10,750
Other charges for services	13,330
Donations	5,000
Interest income	86
Miscellaneous	2,583
	<b>568,983</b>
 <b>Total revenues</b>	
 <b>EXPENDITURES</b>	
Current:	
Salaries	243,213
Payroll taxes	19,549
Employee benefits	36,517
Insurance	11,322
Lease expense	4,151
Recreation supplies	29,072
Education and training	1,151
Contract services - instructors	138,663
Dues and subscriptions	854
Rent - facilities	25,166
Office supplies	2,694
Bank charges	7,034
Postage	5,813
Professional services	27,293
Printing and publishing	12,972
Telephone	6,245
Miscellaneous	141
Computer expenditures	18,673
Utilities	4,723
Mileage expense	2,784
GRASP expense	3,650
	<b>601,680</b>
 <b>Total expenditures</b>	
 <b>Net change in fund balance</b>	
	<b>(32,697)</b>
 <b>FUND BALANCE, JULY 1, 2010</b>	
	<b>34,830</b>
 <b>FUND BALANCE, JUNE 30, 2011</b>	
	<b>\$ 2,133</b>

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



**SOUTH LYON AREA RECREATION AUTHORITY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011**

Amounts reported for governmental activities in the Statement of Activities are different because:

**Net change in fund balance - governmental funds** \$ (32,697)

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their useful lives as depreciation expense.

Capital outlay (962)

**Change in net assets of governmental activities** \$ (33,659)

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

**NOTES TO FINANCIAL STATEMENTS**

## SOUTH LYON AREA RECREATION AUTHORITY

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of South Lyon Area Recreation Authority conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

#### **A. BASIC FINANCIAL STATEMENTS**

In accordance with GASB Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report on the Authority as a whole. Governmental fund types are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Authority as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Generally, the effect of interfund activity, if any, has been removed from the government-wide financial statements.

The government-wide Statement of Net Assets reports all financial and capital resources of the Authority (excluding fiduciary funds). It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally, the Authority would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the Authority are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expense between governments that allocate direct expenses and those that do not. Interest on general long-term debt is not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

**SOUTH LYON AREA RECREATION AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Also, part of the basic financial statements are fund financial statements for the governmental fund(s). The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures of fund category and of the governmental funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds, if any, are combined in a single column on the fund financial statements.

The Authority reports the following major governmental fund:

The General Fund is the Authority's primary operating fund. It accounts for all financial resources of the general government. General Fund activities are funded primarily from program charges and intergovernmental sources.

**B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The governmental fund financial statements are prepared on a modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual include property taxes, sales and use taxes, licenses, fees and permits, intergovernmental revenues, charges for services and interest.
- B. Expenditures are recorded when the related fund liability is incurred. Principal and interest on long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Long-term debt proceeds are reported as another financing source. Principal payments on long-term debt obligations are considered expenditures.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balances as a measure of available spendable resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Authority's actual revenues and expenditures conform to the annual budget. Since the governmental fund financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

**SOUTH LYON AREA RECREATION AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. BUDGET INFORMATION**

The annual budget is prepared by the recreation director and adopted by the South Lyon Area Recreation Authority board; subsequent amendments are approved by the Authority's board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2010 has not been calculated. During the current year, the budget was not amended.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America. The budget has been adopted on a total revenue and expenditure basis. Total expenditures were more than budgeted appropriations by \$21,315.

**D. CAPITAL ASSETS**

Under GASB Statement No. 34, all capital assets whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental fund financial statements.

Capital assets are defined as assets with an initial, individual cost of more than \$500 and an estimated useful life greater than one year. Land is considered a capital asset regardless of initial cost. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the 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. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Office equipment	3 to 10 years
Athletic equipment	3 to 5 years
Buildings, structures and improvements	10 to 50 years
Machinery and equipment	5 to 40 years
Vehicle	5 years

**E. USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles 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.

**SOUTH LYON AREA RECREATION AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. RISK MANAGEMENT**

The South Lyon Area Recreation Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority has purchased commercial insurance for workers' compensation and employee medical claims and participates in the state pool program of the Michigan Municipal Risk Management Authority for claims relating to general liability. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past year.

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

**G. CASH AND CASH EQUIVALENTS**

The Authority considers its deposits and restricted deposits and investments held with maturities of three months or less are considered to be cash equivalents.

**H. INCOME TAXES**

As a governmental agency, the Authority is exempt from both federal income taxes and the Michigan Business Tax.

**I. DEFERRED REVENUE**

Governmental fund modified accrual basis financial statements and 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.

**J. COMPENSATED ABSENCES**

The policies regarding compensated absences are outlined in the Authority's "Personnel Policies". All compensated absences lapse at the end of the fiscal year. Thus, no accruals are recorded.

**K. EQUITY CLASSIFICATIONS**

In the government-wide financial statements, equity is classified as net assets and displayed in two components:

- a. Invested in Capital Assets, Net of Related Debt - Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bond, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Unrestricted Net Assets - Consists of net assets that do not meet the definition of "invested in capital assets, net of related debt."

**L. RESTRICTED NET ASSETS**

For the government-wide financial statements, net assets are reported as restricted when constraints placed on net assets are either: (1) Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

**SOUTH LYON AREA RECREATION AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 2 - FINANCIAL REPORTING ENTITY**

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 39, certain other governmental organizations are not considered to be part of the reporting entity for financial statement purposes.

The criteria established by GASB Statement No. 39 for various governmental organizations to be included in the reporting entity's financial statements include accountability, control, and significant financial relationships.

The accompanying financial statements of South Lyon Area Recreation Authority as of June 30, 2010, include any and all boards, agencies, funds and account groups under the jurisdiction of the South Lyon Area Recreation Authority Board.

South Lyon Area Recreation Authority was jointly incorporated by the City of South Lyon, Lyon Township, and the Charter Township of Green Oak. The Authority was incorporated in 2002 under provisions of Public Act 321. The Authority is governed by a board composed of one member from each of the above municipalities. The Authority was formed to provide recreational services to the respective communities.

**NOTE 3 - CAPITAL ASSETS**

Capital asset activity for the Authority's governmental funds for the year ended June 30, 2011 was as follows:

<b><u>Governmental Activities</u></b>	<b><u>Balance 7/1/2010</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Balance 6/30/2011</u></b>
<b>Capital assets being depreciated:</b>				
Office equipment and furniture	\$ 26,413	\$	\$	\$ 26,413
Athletic equipment	2,565			2,565
<b>Total cost</b>	<b>28,978</b>			<b>28,978</b>
<b>Accumulated depreciation:</b>				
Office equipment and furniture	(23,670)	(962)		(24,632)
Athletic equipment	(2,565)			(2,565)
	<b>(26,235)</b>	<b>(962)</b>		<b>(27,197)</b>
<b>Net capital assets, governmental activities</b>	<b>\$ 2,743</b>	<b>\$ (962)</b>	<b>\$</b>	<b>\$ 1,781</b>

Depreciation expense is being recorded in the government-wide statement of activities based upon the activity utilizing the assets. The only activity in the Authority is the parks and recreation activity. The Authority uses the straight line method to depreciate capital assets over their estimated useful lives. No debt is attributed to these assets.

**SOUTH LYON AREA RECREATION AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 4 - DEPOSITS WITH FINANCIAL INSTITUTIONS**

Michigan Compiled Laws, Section 129.91, authorizes the Authority to deposit and invest in the accounts of Federally insured banks, credit union, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal Agency obligation repurchase agreements; bankers acceptance of United States banks, commercial paper rated by two standard rating agencies 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 investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Authority's deposits are in accordance with statutory authority.

The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments in all of the investments mentioned in the preceding paragraph.

As of June 30, 2011 deposits consist of the following:

Deposits with financial institutions	<u>\$ 101,784</u>
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The carrying amount of cash and investments is stated at \$87,526 for the Authority as of June 30, 2011. The difference between the carrying amounts and amounts mentioned above stem from cash on hand of \$100 and outstanding checks and deposits in transit.

**Custodial Credit Risk on Deposits**

This is the risk that in the event of a bank failure, the Authority will not be able to recover its deposits. The Authority does not have a deposit policy for custodial credit risk. At year end, all deposits with financial institutions were insured by FDIC insurance. The Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**NOTE 5 - DEFINED CONTRIBUTION PENSION PLAN**

The Authority provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Authority contributes 10 percent of full-time employees' gross earnings. In accordance with these requirements, the Authority contributed \$9,945 during the year ended June 30, 2011. The Authority's contributions for each employee are fully vested after three (3) years.



**SOUTH LYON AREA RECREATION AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 6 - GRANTS AND DONATIONS**

During the current year, the Authority received the following cash contributions from both related and unrelated parties, into the General Fund:

City of South Lyon (related party)	\$ 30,108
Green Oak Township (related party)	11,360
Lyon Township (related party)	17,918
Private donations	<u>5,000</u>
Total	<u>\$ 64,386</u>

**NOTE 7 - RENT/RELATED PARTIES**

The Authority leases its office space from the City of South Lyon for \$718 per month until its expiration June 30, 2012. The Authority renewed this lease for similar terms after its expiration. This lease continues with a 2% increase bi-annually, but may be cancelled by either party if given 120 days notice.

The Authority also rents recreation facilities from South Lyon Community Education. There are no official terms for this lease, but we have verbally committed to pay 4% of all revenues received from programs held at their facilities. The Authority does not expect the terms of this lease to change within the next fiscal year.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SOUTH LYON AREA RECREATION AUTHORITY**

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budget Amount</u>		<u>Actual</u>	<u>Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Member municipality contributions	\$ 59,386	\$ 59,386	\$ 59,386	\$
Enrichment activities	155,000	115,200	117,648	2,448
Sports activities	160,000	176,000	177,385	1,385
Swim activities	154,000	146,000	150,572	4,572
Other activities		479	10,343	9,864
Day camp activity	42,000	18,000	21,900	3,900
Drivers education fees	7,500	10,875	10,750	(125)
Other charges for services	7,500	13,459	13,330	(129)
Donations	5,000	5,000	5,000	
Interest income	1,000	86	86	
Miscellaneous		2,100	2,583	483
<b>Total revenue</b>	<u>591,386</u>	<u>546,585</u>	<u>568,983</u>	<u>22,398</u>
<b>EXPENDITURES</b>				
Salaries	271,750	238,726	243,213	(4,487)
Payroll taxes	20,790	19,226	19,549	(323)
Employee benefits	49,250	33,834	36,517	(2,683)
Insurance	11,500	11,322	11,322	
Lease expense	4,500	3,790	4,151	(361)
Recreation supplies	30,200	18,275	29,072	(10,797)
Education and training	3,000	1,151	1,151	
Contract services - instructors	131,000	136,102	138,663	(2,561)
Dues and subscriptions	1,000	854	854	
Rent - facilities	28,617	25,117	25,166	(49)
Small equipment	5,000			
Office supplies	5,500	2,900	2,694	206
Bank charges	8,500	6,700	7,034	(334)
Postage	9,000	5,900	5,813	87
Professional services	26,750	27,220	27,293	(73)
Printing and publishing	16,000	12,973	12,972	1
Telephone	6,000	6,000	6,245	(245)
Miscellaneous	1,000	141	141	
Computer expenditures	15,000	19,000	18,673	327
Utilities	4,500	4,700	4,723	(23)
Mileage expense	3,000	2,784	2,784	
GRASP expense	3,500	3,650	3,650	
<b>Total expenditures</b>	<u>655,357</u>	<u>580,365</u>	<u>601,680</u>	<u>(21,315)</u>
<b>Net change in fund balance</b>	(63,971)	(33,780)	(32,697)	1,083
<b>FUND BALANCE, JULY 1, 2010</b>	<u>34,830</u>	<u>34,830</u>	<u>34,830</u>	
<b>FUND BALANCE, JUNE 30, 2011</b>	<u>\$ (29,141)</u>	<u>\$ 1,050</u>	<u>\$ 2,133</u>	<u>\$ 1,083</u>