



# Howell Area Parks & Recreation Authority

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## Financial Statements

For the Year Ended December 31, 2019



SMITH & KLACZKIEWICZ, PC  
CERTIFIED PUBLIC ACCOUNTANTS

# Howell Area Parks & Recreation Authority

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SMITH & KLACZKIEWICZ, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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A VETERAN OWNED BUSINESS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Howell Area Parks & Recreation Authority  
Howell, Michigan

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the *Howell Area Parks & Recreation Authority* as of and for year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the *Howell Area Parks & Recreation Authority*, as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 through 7) and budgetary comparison information (page 18) 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 operational, 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Howell Area Parks & Recreation Authority's** basic financial statements. The Schedule of Revenues, Expenditures and Changes in Fund Balance by Program is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Revenues, Expenditures and Changes in Fund Balance by Program is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Smith + Klaehring PC*

**Saginaw, Michigan**

**Draft XX, 2020**

# Howell Area Parks & Recreation Authority

## Management's Discussion and Analysis

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The *Howell Area Parks & Recreation Authority* (the "Authority") is a shared service provided through an agreement between the City of Howell, (the "City") and the Townships of Marion, Genoa, Howell and Oceola (the "Townships"). The following discussion and analysis of the financial performance for the Authority provides an overview of the Authority's financial activities for the year ended December 31, 2019. Please read it in conjunction with the Authority's financial statements.

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

#### **Using this Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Position portion of the governmental funds Balance Sheet / Statement of Net Position and the Statement of Activities portion of the Statement of Governmental Funds Revenue, Expenditures and Changes in Fund Balances / Statement of Activities provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements provide a short-term view; they tell us how the Authority's resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Authority's operations in more detail than most government-wide financial statements by providing information about the Authority's most significant activities.

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

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

The *Statement of Activities* presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related* cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in past or future fiscal periods (for instance, depreciation expense associated with capital assets).

The government-wide financial statements include only the Authority itself (known as the *Special Purpose Government*). The Authority has no legally separate component units for which the Authority is financial accountable.

The government-wide financial statements can be found on pages 8 and 9 of this report.

# Howell Area Parks & Recreation Authority

## Management's Discussion and Analysis

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### **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other units of State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The activity of the Authority is accounted for in the General Operating Fund; a governmental fund.

### **Governmental Funds**

*Governmental funds* are used to account for essentially the same function reported in the government-wide financial statements. However, unlike the government-wide financial statements, the General Operating Fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the Authority's near-term financing requirements.

Because the focus of the General Operating Fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the General Operating Fund with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Authority's near-term financing decisions. Both the General Operating Fund Balance Sheet and the General Operating Fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between the General Operating Fund and the government-wide statements.

The Authority maintains one governmental fund (the "*General Operating Fund*"). The General Operating Fund is a major fund for financial reporting purposes as defined by GASB Statement Number 34. The Authority does not maintain proprietary or fiduciary funds.

The Authority adopts an annual appropriated budget for its fund. A budgetary comparison schedule has been provided herein to demonstrate compliance with that budget. The Budgetary Comparison Schedule - General Operating Fund can be found on page 18 of this report.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the Authority's financial statements. The notes to the financial statements can be found on pages 10 through 17 of this report.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* and *other supplementary information*. Such information is limited to this management's discussion and analysis, the Budgetary Comparison Schedule and the Schedule of Revenues, Expenditures and Changes in Fund Balance by Program.

# Howell Area Parks & Recreation Authority

## Management's Discussion and Analysis

### Government-wide Financial Analysis

The following table presents condensed financial information taken from the Authority's Statement of Net Position and Statement of Activities for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
<i>Assets:</i>		
Current and other assets	\$ 243,216	\$ 167,358
Capital assets, net	<u>92,464</u>	<u>59,603</u>
Total assets	<u>335,680</u>	<u>226,961</u>
<i>Liabilities:</i>		
Current liabilities	<u>116,169</u>	<u>84,190</u>
<i>Net Position:</i>		
Net investment in capital assets	92,464	59,603
Unrestricted	<u>127,047</u>	<u>83,168</u>
Total net position (deficit)	<u>\$ 219,511</u>	<u>\$ 142,771</u>
	<u>2019</u>	<u>2018</u>
<i>Revenues:</i>		
Charges for services	\$ 717,928	\$ 673,849
Operating grants and contributions	718,930	699,200
General revenue	<u>8,317</u>	<u>7,541</u>
Total revenues	1,445,175	1,380,590
<i>Expenses:</i>		
Recreation and culture	<u>1,368,435</u>	<u>1,236,144</u>
Change in net position	76,740	144,446
Net position – beginning	<u>142,771</u>	<u>(1,675)</u>
Net position – ending	<u>\$ 219,511</u>	<u>\$ 142,771</u>

The current year's operations resulted in an increase in net position. Operating expenses are being controlled with a continual placement of strict spending policies. Revenues have increased due to increased participation fees and an overall increase participant. Improvement in our facilities and overall program has shown a value for the money they invest in us. Continued monitoring of our expenses will be necessary

# Howell Area Parks & Recreation Authority

## Management's Discussion and Analysis

### General Operating Fund Budgetary Highlights

The General Operating Fund accounts for all programming, operations, maintenance and administrative functions of the Authority. The budget is monitored closely and amended quarterly. The General Operating Fund pays for all of the Authority's services. The most significant are program activities, operations and maintenance of facilities and administration.

The following table presents condensed budgetary information taken from the Authority's Budgetary Comparison Schedule – General Operating Fund for the current year:

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<i>Revenues:</i>				
Contributions	\$ 516,125	\$ 516,125	\$ 516,125	\$ -
Fees / charges for services	667,560	710,359	717,928	7,569
Sponsorships, donations, etc.	232,450	204,616	202,805	(1,811)
Other revenue	7,275	6,559	8,317	1,758
Total revenues	<u>1,423,410</u>	<u>1,437,659</u>	<u>1,445,175</u>	<u>7,516</u>
<i>Expenditures:</i>				
Personal services	740,835	752,776	743,412	(9,364)
Supplies	201,605	235,102	233,751	(1,351)
Other services & charges	472,570	443,031	424,133	(18,898)
Total expenditures	<u>1,415,010</u>	<u>1,430,909</u>	<u>1,401,296</u>	<u>(29,613)</u>
Change in fund balance	8,400	6,750	43,879	37,129
<i>Fund balance (deficit)</i>				
Beginning	<u>83,168</u>	<u>83,168</u>	<u>83,168</u>	<u>-</u>
Ending	<u>\$ 91,568</u>	<u>\$ 89,918</u>	<u>\$ 127,047</u>	<u>\$ 37,129</u>

Closely monitoring our expenses along with increased participation and the review of all programs for their cost effectiveness has contributed to eliminating our negative ending fund balance. Additional changes in personnel and programs going forward will prove to be beneficial in further securing our financial stability in subsequent years.

### Capital Asset and Debt Administration

At the end of the year, the Authority had \$92,464 (net of accumulated depreciation) invested in capital assets. During the year, the Authority purchased a pick-up truck, chairs and computers and disposed of a vehicle and computer equipment. Most of the outdoor recreation amenities in the Howell community are owned by either the City of Howell or the Townships. The Authority has no debt at year-end and does not allow employees to accumulate accrued compensated absences.



# Howell Area Parks & Recreation Authority

## Management's Discussion and Analysis

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### Economic Factors and Next Year's Budgets and Rates

A key goal next year to continue our successes is the development of partnerships and collaborative efforts in order to increase the recreation opportunities available to residents and assist the department with the financial stability of delivering quality leisure services. The Authority in 2020 will continue to determine which programs and services will provide the Authority with an increase in revenues while reducing expenses.

Overall annual increase in daily operating expenses is our biggest challenge moving into 2020 fiscal year. Showing data and participation number will continue to bring the financial support by local units of government each year to the following: City of Howell (\$105,000), Oceola Township (\$105,000), Genoa Township (\$105,000), Marion Township (\$105,000) and Howell Township (\$105,000). These contributions equal approximately 35% of the Howell Area Parks & Recreation Authority's budget of \$1,406,000. An increase in municipalities fund and support will help the Authority offset our operating expenses with it limiting the effect our participants. Residents of the five municipalities that are full members of the Authority are afforded a lower participation fee because approximately half of their program participation fee is already paid for through their local unit of government.

### Contacting the Authority's Management

This financial report is intended to provide our citizen's, taxpayers, customers, and investors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Howell Area Parks & Recreation Authority's office at 925 W. Grand River Avenue, Howell, MI 48843, or via the Authority's website at [www.howellrecreation.org](http://www.howellrecreation.org).

# Howell Area Parks & Recreation Authority

## Governmental Fund Balance Sheet / Statement of Net Position

December 31, 2019

	General Operating Fund	Adjustments	Statement of Net Position
<b>Assets</b>			
Cash and cash equivalents	\$ 232,623	\$ -	\$ 232,623
Accounts receivable	609	-	609
Prepaid items	9,984	-	9,984
Noncurrent assets:			
Capital assets being depreciated, net	-	92,464	92,464
Total assets	<u>\$ 243,216</u>	<u>92,464</u>	<u>335,680</u>
<b>Liabilities</b>			
Accounts payable	\$ 87,900	-	87,900
Accrued expenses	12,229	-	12,229
Unearned revenue	16,040	-	16,040
Total liabilities	<u>116,169</u>	<u>-</u>	<u>116,169</u>
<b>Fund Balance / Net Position</b>			
Fund Balance			
Nonspendable	9,984	(9,984)	-
Unassigned	117,063	(117,063)	-
Total fund balance	<u>127,047</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 243,216</u>		
Net Position			
Net investment in capital assets			92,464
Unrestricted			<u>127,047</u>
Total net position			<u>\$ 219,511</u>

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

# Howell Area Parks & Recreation Authority

## Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance / Statement of Activities

*For the Year Ended December 31, 2019*

	General Operating Fund	Adjustments	Statement of Activities
<b>Expenditures / expenses</b>			
Recreation and culture	\$ 1,356,013	\$ 12,422	\$ 1,368,435
Capital outlay	45,283	(45,283)	-
Total expenditures / expenses	1,401,296	(32,861)	1,368,435
<b>Program revenue</b>			
Charges for services	717,928	-	717,928
Operating grants and contributions			
Contributions from local units	516,125	-	516,125
Sponsorships, donations and grants	202,805	-	202,805
Total operating grants and contributions	718,930	-	718,930
Total program revenue	1,436,858	-	1,436,858
Net program revenue			68,423
<b>General revenue</b>			
Other revenue	7,885	-	7,885
Interest earned on deposits	432	-	432
Total general revenue	8,317	-	8,317
Total revenue	1,445,175		
Net change in fund balance / net position	43,879	32,861	76,740
<b>Fund balance / net position</b>			
Beginning of year	83,168	59,603	142,771
End of year	\$ 127,047	\$ 92,464	\$ 219,511

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

# Howell Area Parks & Recreation Authority

## Notes to Financial Statements

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### **Note 1 – Summary of Significant Accounting Policies**

The accounting policies of the *Howell Area Parks & Recreation Authority* (the “*Authority*”) conform to accounting principles generally accepted in the United States of America (U.S. GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Authority.

### **Reporting Entity**

The Authority operates under a shared services agreement between the City of Howell, (the “*City*”) and the Townships of Marion, Genoa, Howell and Oceola (the “*Townships*”). This agreement provides the funding formula as well as operational guidelines. In accordance with that agreement, administrative services are provided by the City of Howell.

The basic criteria for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit’s financial report is the exercise of financial responsibility over such agencies by the governmental unit’s elected officials, the selection of the governing authority, the designation of management, or the ability to exert significant influence on operations.

The Authority does not meet the criteria to be included in the financial statements of the creating governments because they do not have the requisite degree of oversight responsibility. In addition, there are no other governmental units’ financial statements, for which the Authority has oversight responsibility, which should be included in the accompanying financial statements.

The Authority’s Board of Trustees consists of five members and is comprised of one elected official from the City, one from each of the Townships and one from Howell Public Schools. The Authority serves as a recommending body to the City and the Townships. There are no component units for which the Authority is considered to be financially accountable.

### **Government-Wide and Fund Financial Statements**

As permitted by GASB Statement No. 34, the Authority uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this information is presented in the Statement of Net Position / Governmental Fund Balance Sheet and the Statement of Activities / Governmental Fund Revenues, Expenditures and Changes in Fund Balances. The Authority’s major fund (the General Operating Fund) is reported in a separate column in the aforementioned financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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 applicants 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. Interest

# Howell Area Parks & Recreation Authority

## Notes to Financial Statements

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earned on deposits and other items not properly included among program revenues are reported instead as *general revenues*.

Net position is restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position.

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide column in the financial statements is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The Statement of Net Position portion of the financial statements includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Authority's net position is reported in two parts – net investment in capital assets and unrestricted net position.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenue is considered to be *available* if it is collected within the current period or soon enough thereafter to pay liabilities of the current year. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Major revenue types for which receivables are recorded on the current year's Balance Sheet include program activities and facility rental income. All other revenue items are considered to be available only when cash is received by the Authority.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due (there were none in the current year). Intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current year.

The Authority reports the following major governmental fund:

The *General Operating Fund* is the Authority's primary operating fund. It accounts for all financial resources of the Authority, including rental and maintenance of all facilities under the Authority's oversight.

Amounts reported as *program revenues* include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, as applicable. Internally dedicated resources are reported as general revenue rather than as program revenue.

# Howell Area Parks & Recreation Authority

## Notes to Financial Statements

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### **Assets, Liabilities, and Net Position or Equity**

#### ***Cash and Cash Equivalents***

Cash and cash equivalents are considered to be cash on hand and demand deposits.

State statutes authorize the Authority to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances and mutual funds comprised of otherwise legal investments.

#### ***Receivables and Payables***

All receivables and payables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

#### ***Prepaid Items***

Certain payments to vendors reflect costs that are applicable to the subsequent fiscal year and are recorded as prepaid items in both the government-wide and fund financial statements.

#### ***Capital Assets***

Capital assets, which include a dog park, vehicles and equipment are reported in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial individual cost of more than \$1,000 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 Authority has no infrastructure assets. 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.

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

Vehicles	5 to 10 years
Furniture and equipment	5 to 10 years
Dog park	20 years
Computer equipment	3 years

#### ***Unearned Revenue***

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be earned or available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the year, unearned revenue was reported in the governmental activities and in the General Operating Fund for unearned charges for services.

# Howell Area Parks & Recreation Authority

## Notes to Financial Statements

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### ***Fund Equity***

In the financial statements, the Authority reports the following components of fund balance:

#### Nonspendable

Amounts that are not in spendable form or are legally or contractually required to be maintained intact are reported as nonspendable fund balance.

#### Restricted

Amounts that are legally restricted by externally imposed constraints that are placed on the use of resources by grantors, contributors, or laws or regulations of other governments are reported as restricted fund balance. At the end of the year, a portion of the Authority's fund balance was restricted for operations of the dog park.

#### Committed

Amounts that have been formally set aside by the Board of Trustees for use for specific purposes are reported as committed fund balance. Commitments are made, and can only be rescinded by resolution of the Board of Trustees. At the end of the year, no portion of the Authority's fund balance was committed.

#### Assigned

Amounts that are constrained by the Authority's *intent* to be used for specific purposes but are neither restricted nor committed are reported as assigned fund balance. The Board of Trustees has not adopted a policy to authorize anyone the authority to assign fund balance on behalf of the Authority. At the end of the year, no portion of the Authority's fund balance was assigned.

#### Unassigned

Amounts that have not been restricted, committed or assigned to specific purposes are reported as unassigned fund balance.

When the Authority incurs expenditures for purposes for which various fund balance classifications can be used, it is the Authority's policy to use restricted fund balance first, then committed fund balance, assigned fund balance and finally unassigned fund balance.

### **Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP 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 year. Actual results could differ from those estimates.

# Howell Area Parks & Recreation Authority

## Notes to Financial Statements

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### **Note 2 – Reconciliation of Fund Balance in the Fund Financial Statements to Net Position of Governmental Activities**

#### *Explanation of differences between the governmental fund Balance Sheet and the Statement of Net Position*

Fund Balance – General Operating Fund \$ 127,047

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund.

Cost of capital assets	148,270
Accumulated depreciation	<u>(55,806)</u>
Net position of governmental activities	<u>\$ 219,511</u>

#### *Explanation of differences between the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances and the government-wide Statement of Activities*

Net change in fund balance – General Operating Fund \$ 43,879

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

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

Capital outlay	45,283
Depreciation expense	<u>(12,422)</u>
Change in net position of governmental activities	<u>\$ 76,740</u>

### **Note 3 – Deposits and Investments**

State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments.

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution



# Howell Area Parks & Recreation Authority

## Notes to Financial Statements

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- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase
- Bankers acceptances of United States banks
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service
- Mutual funds registered under the investment company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997

The investment policy adopted by the Authority in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory as listed above. The Authority's deposits and investment policy are in accordance with statutory authority.

At the end of the year, the Authority's deposits were reported in the following categories:

	<b><u>Governmental Activities</u></b>
Government-wide Financial Statement Captions	
Cash and cash equivalents	\$ <u>232,623</u>
Notes to Financial Statements	
Deposits	\$ 232,416
Cash on hand	<u>207</u>
Total	\$ <u>232,623</u>

### Investment and Deposit Risk

The entire balance of the Authority's cash and cash equivalents is considered to be deposits for disclosure purposes. The Authority did not hold any investments during the year.

### Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a deposit policy for custodial credit risk. At the end of the year, the Authority's entire bank balance of \$233,777 was fully insured under FDIC and therefore not exposed to custodial credit risk.

# Howell Area Parks & Recreation Authority

## Notes to Financial Statements

### Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, that the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At the end of the year, the Authority had no investments and was therefore not exposed to custodial credit risk.

### Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. State law limits the allowable investments and the maturities of some of the allowable investments. At the end of the year, the Authority had no investments and was therefore not exposed to interest rate risk.

### Note 4 – Capital Assets

Capital asset activity for year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets being depreciated				
Vehicles	\$ 12,000	\$ 34,795	\$ (12,000)	\$ 34,795
Furniture and equipment	67,856	5,938	(10,078)	63,716
Dog park equipment	29,516	-	-	29,516
Computer equipment	16,773	4,550	(1,080)	20,243
Total capital assets being depreciated	<u>126,145</u>	<u>45,283</u>	<u>(23,158)</u>	<u>148,270</u>
Less accumulated depreciation				
Vehicles	(11,000)	(1,000)	12,000	-
Furniture and equipment	(38,866)	(6,646)	10,078	(35,434)
Dog park equipment	(5,904)	(1,476)	-	(7,380)
Computer equipment	(10,772)	(3,300)	1,080	(12,992)
Total accumulated depreciation	<u>(66,542)</u>	<u>(12,422)</u>	<u>23,158</u>	<u>(55,806)</u>
Net capital assets being depreciated	<u>59,603</u>	<u>32,861</u>	<u>-</u>	<u>92,464</u>
Total net capital assets	<u>\$ 59,603</u>	<u>\$ 32,861</u>	<u>\$ -</u>	<u>\$ 92,464</u>

### Note 5 – Risk Management

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation). The Authority has purchased commercial insurance for these types of claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the previous three (3) years.

# Howell Area Parks & Recreation Authority

## Notes to Financial Statements

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### **Note 6 – Defined Contribution Pension Plan**

The Authority sponsors a defined contribution pension plan. The International City Managers Association (ICMA) administers the plan and the Authority Board of Trustees has authority over plan provisions and contribution requirements. All permanent, full-time employees of the Authority are eligible to participate in the plan. At the end of the year, there were 9 active participants in the plan.

The Authority's contribution to the Plan, if any, is determined as a percent of eligible annual covered payroll on an annual basis. Employees may voluntarily contribute up to 5% of covered payroll. Employees are vested after one (1) year of service. During the year, the Authority contributed \$28,286 to the Plan.

### **Note 7 – Concentration of Revenue**

The Authority is dependent upon the City of Howell and the Townships of Marion, Genoa, Howell and Oceola to fund its operations through operating subsidies. Total contributions revenue received from the City and Townships for the year was \$516,125 or 36% of total revenue.

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Draft  
March 11, 2020

# Howell Area Parks & Recreation Authority

## Required Supplementary Information

### Budgetary Comparison Schedule General Operating Fund

For the Year Ended December 31, 2019

	Original Budget	Amended Budget	Actual	Over (Under) Budget
<b>Revenues</b>				
Municipal contributions	\$ 516,125	\$ 516,125	\$ 516,125	\$ -
Program fees	434,750	465,835	471,531	5,696
Management fees	153,000	159,578	159,578	-
Facility rental fees	43,110	51,235	52,801	1,566
Other charges for services	36,700	33,711	34,018	307
Sponsorships	95,500	83,650	83,040	(610)
Donations	68,025	55,245	54,976	(269)
Grants	56,925	63,215	63,215	-
Fundraising	12,000	2,506	1,574	(932)
Other revenues	7,175	6,109	7,885	1,776
Interest earned on deposits	100	450	432	(18)
Total revenues	<u>1,423,410</u>	<u>1,437,659</u>	<u>1,445,175</u>	<u>7,516</u>
<b>Expenditures</b>				
Personal services:				
Salaries and wages	614,845	636,085	635,697	(388)
Payroll taxes	47,630	48,599	47,846	(753)
Fringe benefits	78,360	68,092	59,869	(8,223)
Supplies:				
Operating supplies	183,800	217,246	218,027	781
Office supplies	17,805	17,856	15,724	(2,132)
Other services and charges:				
Contractual services	204,400	192,521	181,360	(11,161)
Communications	14,900	11,437	11,220	(217)
Marketing, printing and publishing	32,075	30,411	28,687	(1,724)
Insurance	30,500	25,500	26,204	704
Dues	5,660	7,638	5,856	(1,782)
Utilities	32,500	30,000	28,766	(1,234)
Repairs and maintenance	37,100	40,563	34,509	(6,054)
Equipment rentals	18,300	15,635	17,683	2,048
Facility rentals	28,100	23,575	23,680	105
Reimbursements	8,500	5,500	5,015	(485)
Education and training	12,000	11,881	9,577	(2,304)
Bank fees	6,000	4,000	3,082	(918)
Capital outlay	38,235	41,838	45,283	3,445
Miscellaneous	4,300	2,532	3,211	679
Total expenditures	<u>1,415,010</u>	<u>1,430,909</u>	<u>1,401,296</u>	<u>(29,613)</u>
Net change in fund balance	8,400	6,750	43,879	37,129
<b>Fund balance</b>				
Beginning of year	<u>83,168</u>	<u>83,168</u>	<u>83,168</u>	<u>-</u>
End of year	<u>\$ 91,568</u>	<u>\$ 89,918</u>	<u>\$ 127,047</u>	<u>\$ 37,129</u>

# Howell Area Parks & Recreation Authority

## Notes to Required Supplementary Information

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### ***Budgetary Information***

An annual budget is adopted for the General Operating Fund on a basis consistent with U.S. GAAP. All annual appropriations lapse at the end of the fiscal year. The annual budget is prepared by the Executive Director and is reviewed by the Authority's Board of Trustees. After the budget is approved by the Authority's Board, it is then presented to the City and the Townships for approval, prior to the start of the fiscal year. The budget is reviewed by the Authority's Board on a periodic basis and amended as necessary.

The budget document presents information by function, department, and line items. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. During the year, the budget was amended in a legally permissible manner. The budget was prepared in accordance with U.S. GAAP. The budgeted amounts for the General Operating Fund are adopted at the departmental level; expenditures in excess of amounts budgeted are a violation of Michigan law. The comparison of actual results of operations to the General Operating Fund budget shown in the required supplemental information is more detailed than the budget adopted by the Authority and is presented for analytical purposes only.

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March 11, 2020

# Howell Area Parks & Recreation Authority

## Other Supplementary Information

### Schedule of Revenues, Expenditures and Changes in Fund Balance by Program

*For the Year Ended December 31, 2019*

	General Operations	Adult Sports	Aquatic Center	Youth Sports	Enrichment	Festivals
<b>Revenues</b>						
Municipal contributions	\$ 516,125	\$ -	\$ -	\$ -	\$ -	\$ -
Program fees	-	9,985	18,430	101,371	89,402	126,578
Management fees	-	-	114,578	-	-	-
Facility rental fees	36,266	2,240	-	14,295	-	-
Other charges for services	6,000	-	-	-	-	-
Sponsorships	-	-	200	10,281	-	72,009
Donations	-	-	3	-	-	-
Grants	-	-	-	-	-	-
Fundraising	-	-	-	-	-	5
Other revenues	5,880	-	-	-	-	2,005
Interest earned on deposits	432	-	-	-	-	-
Total revenues	<u>564,703</u>	<u>12,225</u>	<u>133,211</u>	<u>125,947</u>	<u>89,402</u>	<u>200,597</u>
<b>Expenditures</b>						
Personal services:						
Salaries and wages	236,296	4,028	88,537	48,447	29,798	46,900
Payroll taxes	19,552	-	6,704	3,964	1,834	2,738
Fringe benefits	27,090	-	11,900	5,164	1,345	5,375
Supplies:						
Operating supplies	22,499	1,041	2,272	32,793	24,310	107,646
Office supplies	14,701	-	-	-	25	109
Other services and charges:						
Contractual services	37,020	9,849	8,950	27,664	30,318	18,157
Communications	10,983	-	-	-	-	237
Marketing, printing and publishing	22,658	-	-	-	-	5,468
Insurance	25,704	-	-	-	-	-
Dues	3,362	-	159	219	159	1,230
Utilities	25,841	2,925	-	-	-	-
Repairs and maintenance	32,034	-	-	-	-	-
Equipment rentals	8,302	-	-	2,233	-	7,148
Facility rentals	21,772	1,908	-	-	-	-
Reimbursements	-	-	-	5,015	-	-
Education and training	3,995	-	241	1,541	13	1,164
Bank fees	3,082	-	-	-	-	-
Capital outlay	42,263	-	-	-	1,490	-
Miscellaneous	3,123	57	-	-	-	31
Total expenditures	<u>560,277</u>	<u>19,808</u>	<u>118,763</u>	<u>127,040</u>	<u>89,292</u>	<u>196,203</u>
Net change in fund balance	4,426	(7,583)	14,448	(1,093)	110	4,394
<b>Fund balance (deficit)</b>						
Beginning of year	(633)	(35,671)	83,979	(27,076)	(36,889)	1,266
End of year	<u>\$ 3,793</u>	<u>\$ (43,254)</u>	<u>\$ 98,427</u>	<u>\$ (28,169)</u>	<u>\$ (36,779)</u>	<u>\$ 5,660</u>

Preschool	Senior Center	Summer Camp	City Park / Boat Launch	Teen Center	Transportation	Dog Park	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 516,125
59,636	17,259	42,582	-	6,288	-	-	471,531
-	-	-	45,000	-	-	-	159,578
-	-	-	-	-	-	-	52,801
-	150	-	9,561	6,587	-	11,720	34,018
-	550	-	-	-	-	-	83,040
-	13,333	-	-	31,625	10,000	15	54,976
-	500	-	-	62,715	-	-	63,215
703	-	-	-	866	-	-	1,574
-	-	-	-	-	-	-	7,885
-	-	-	-	-	-	-	432
<u>60,339</u>	<u>31,792</u>	<u>42,582</u>	<u>54,561</u>	<u>108,081</u>	<u>10,000</u>	<u>11,735</u>	<u>1,445,175</u>
42,980	18,798	25,725	43,550	50,568	70	-	635,697
3,288	631	1,815	3,541	3,779	-	-	47,846
1,250	-	-	-	7,745	-	-	59,869
2,256	5,344	7,947	6,404	3,279	-	2,236	218,027
132	757	-	-	-	-	-	15,724
105	1,318	123	155	26,181	15,520	6,000	181,360
-	-	-	-	-	-	-	11,220
-	749	10	-	(198)	-	-	28,687
-	-	-	-	-	-	500	26,204
-	409	159	-	159	-	-	5,856
-	-	-	-	-	-	-	28,766
-	-	-	-	-	-	2,475	34,509
-	-	-	-	-	-	-	17,683
-	-	-	-	-	-	-	23,680
-	-	-	-	-	-	-	5,015
378	701	34	-	1,510	-	-	9,577
-	-	-	-	-	-	-	3,082
-	1,530	-	-	-	-	-	45,283
-	-	-	-	-	-	-	3,211
<u>50,389</u>	<u>30,237</u>	<u>35,813</u>	<u>53,650</u>	<u>93,023</u>	<u>15,590</u>	<u>11,211</u>	<u>1,401,296</u>
9,950	1,555	6,769	911	15,058	(5,590)	524	43,879
15,887	23,920	5,995	62,369	(30,840)	1,100	19,761	83,168
<u>\$ 25,837</u>	<u>\$ 25,475</u>	<u>\$ 12,764</u>	<u>\$ 63,280</u>	<u>\$ (15,782)</u>	<u>\$ (4,490)</u>	<u>\$ 20,285</u>	<u>\$ 127,047</u>