



Howell Area Parks & Recreation Authority

Financial Statements

For the Year Ended December 31, 2021



SMITH & KLACZKIEWICZ, PC
CERTIFIED PUBLIC ACCOUNTANTS

Howell Area Parks & Recreation Authority

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A VETERAN OWNED BUSINESS

INDEPENDENT AUDITOR'S REPORT

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

Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise the *Howell Area Parks & Recreation Authority's* basic financial statements as listed in the table of contents.

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, 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the *Howell Area Parks & Recreation Authority*, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the *Howell Area Parks & Recreation Authority's* ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 *Howell Area Parks & Recreation Authority's* internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the *Howell Area Parks & Recreation Authority's* ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 Schedule of Revenues, Expenditures and Changes in Fund Balance by Program is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Smith + Klaehowitz PC

Saginaw, Michigan

February 14, 2022

Howell Area Parks & Recreation Authority

Management's Discussion and Analysis

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, 2021. 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 9 and 10 of this report.

Howell Area Parks & Recreation Authority

Management's Discussion and Analysis

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 20 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 11 through 19 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, 2020 and 2021:

	<u>2021</u>	<u>2020</u>
<i>Assets:</i>		
Current and other assets	\$ 211,951	\$ 165,221
Capital assets, net	<u>122,050</u>	<u>79,701</u>
Total assets	<u>334,001</u>	<u>244,922</u>
<i>Liabilities:</i>		
Current liabilities	129,498	24,731
Noncurrent liabilities	<u>15,572</u>	<u>-</u>
Total liabilities	<u>145,070</u>	<u>24,731</u>
<i>Net Position:</i>		
Net investment in capital assets	122,050	79,701
Restricted	18,954	17,290
Unrestricted	<u>47,927</u>	<u>123,200</u>
Total net position	<u>\$ 188,931</u>	<u>\$ 220,191</u>
	<u>2021</u>	<u>2020</u>
<i>Revenues:</i>		
Charges for services	\$ 489,508	\$ 263,882
Operating grants and contributions	655,400	623,665
General revenue	<u>5,796</u>	<u>12,169</u>
Total revenues	1,150,704	899,716
<i>Expenses:</i>		
Recreation and culture	<u>1,181,964</u>	<u>899,036</u>
Change in net position	(31,260)	680
Net position – beginning	<u>220,191</u>	<u>219,511</u>
Net position – ending	<u>\$ 188,931</u>	<u>\$ 220,191</u>

The current year's operations resulted in a decrease in net position. Operating expenses are being controlled with a continual placement of strict spending policies. Both revenues and expenses increased as a result of changes in COVID-19 restrictions and operational status of the Ocoala Community Center, which resulted in increased overall participation in programs & activities and the costs of running them. Improvement in the facilities and overall program

Howell Area Parks & Recreation Authority

Management's Discussion and Analysis

quality has shown a value for the money that the communities invest in the Authority. Continued monitoring of expenses will be necessary.

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:

	Original Budget	Amended Budget	Actual	Over (Under) Budget
<i>Revenues</i>				
Contributions	\$ 554,000	\$ 550,000	\$ 550,000	\$ -
Fees / charges for services	554,863	461,997	489,508	27,511
Sponsorships, donations, etc.	130,280	116,923	105,400	(11,523)
Other revenue	550	2,200	5,796	3,596
Total revenues	1,239,693	1,131,120	1,150,704	19,584
<i>Expenditures</i>				
Personal services	738,646	626,967	596,820	(30,147)
Supplies	159,732	207,030	213,193	6,163
Other services & charges	318,685	341,211	353,853	12,642
Debt service	-	-	7,328	7,328
Capital outlay	20,630	41,000	60,447	19,447
Total expenditures	1,237,693	1,216,208	1,231,641	15,433
<i>Other financing sources</i>				
Loan proceeds	-	-	22,900	22,900
Change in fund balance	2,000	(85,088)	(58,037)	27,051
<i>Fund balance</i>				
Beginning	140,490	140,490	140,490	-
Ending	\$ 142,490	\$ 55,402	\$ 82,453	\$ 27,051

Closely monitoring and managing our expenses and the review of all programs for their cost effectiveness has contributed to increasing our fund balance over the years, which allowed for continuing operations despite external and transitional challenges that we experienced in recent years. Additional changes in personnel and programs going forward will prove to be beneficial in further securing our financial stability in subsequent years.

Howell Area Parks & Recreation Authority

Management's Discussion and Analysis

Capital Asset and Debt Administration

At the end of the year, the Authority had \$122,050 (net of accumulated depreciation) invested in capital assets. During the year, the Authority purchased equipment and services related to various equipment for the buildings. Most of the outdoor recreation amenities in the Howell community are owned by either the City of Howell or the Townships. The Authority entered into a loan agreement for the purchase of audio-visual equipment and made monthly principal payments during the year, resulting in a year-end balance in long-term debt of \$15,572. The Authority had no other debt activity and does not allow employees to accumulate accrued compensated absences.

Economic Factors and Next Year's Budgets and Rates

The Howell Area Parks and Recreation Authority has a set a goal for 2022 to offer a balanced and creative schedule of programs and offerings that are inclusive for our community. Balance and creativity are key components to draw new members and grow our participants to families and community members we might not already serve. We will need to continue to build new partnerships and make collaborative efforts in the community in order to increase our financial stability, as we are still monitoring our new expenses with the new community center.

Overall annual increase in daily operating expenses will continue to be our biggest challenge moving into 2022 fiscal year as inflation has increased exponentially. 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 (\$113,500), Oceola Township (\$113,500), Genoa Township (\$113,500), Marion Township (\$113,500) and Howell Township (\$113,500). These contributions equal approximately 43% of the Howell Area Parks & Recreation Authority's budget of \$1,311,894.47. An increase in municipalities contribution and support will help the Authority offset our operating expenses and will limit the impact on our participants. We know this financial model will need to be addressed for years. The Howell Area Parks and Recreation Authority will be evaluating strategic financial plans in 2022.

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 1661 N. Latson Road, Howell, MI 48843, or via the Authority's website at www.howellrecreation.org.

Howell Area Parks & Recreation Authority

Governmental Fund Balance Sheet / Statement of Net Position

December 31, 2021

	General Operating Fund	Adjustments	Statement of Net Position
Assets			
Current assets			
Cash and cash equivalents	\$ 187,587	\$ -	\$ 187,587
Accounts receivable	400	-	400
Prepaid items	23,964	-	23,964
Noncurrent assets			
Capital assets being depreciated, net	-	122,050	122,050
Total assets	<u>\$ 211,951</u>	<u>122,050</u>	<u>334,001</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 39,942	-	39,942
Accrued expenses	20,210	-	20,210
Unearned revenue	69,346	-	69,346
Current portion of long-term debt	-	10,992	10,992
Noncurrent liabilities			
Long-term debt	-	4,580	4,580
Total liabilities	<u>129,498</u>	<u>15,572</u>	<u>145,070</u>
Fund Balance / Net Position			
Fund Balance			
Nonspendable	23,964	(23,964)	-
Restricted	18,954	(18,954)	-
Unassigned	39,535	(39,535)	-
Total fund balance	<u>82,453</u>		
Total liabilities and fund balance	<u>\$ 211,951</u>		
Net Position			
Net investment in capital assets			106,478
Restricted			18,954
Unrestricted			63,499
Total net position			<u>\$ 188,931</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, 2021

	General Operating Fund	Adjustments	Statement of Activities
Expenditures / expenses			
Recreation and culture	\$ 1,163,866	\$ 18,098	\$ 1,181,964
Debt service	7,328	(7,328)	-
Capital outlay	60,447	(60,447)	-
Total expenditures / expenses	<u>1,231,641</u>	<u>(49,677)</u>	<u>1,181,964</u>
Program revenue			
Charges for services	<u>489,508</u>	<u>-</u>	<u>489,508</u>
Operating grants and contributions			
Contributions from local units	550,000	-	550,000
Sponsorships, donations and grants	<u>105,400</u>	<u>-</u>	<u>105,400</u>
Total operating grants and contributions	<u>655,400</u>	<u>-</u>	<u>655,400</u>
Total program revenue	<u>1,144,908</u>	<u>-</u>	<u>1,144,908</u>
Net program revenue			<u>(37,056)</u>
General revenue			
Other revenue	5,512	-	5,512
Interest earned on deposits	<u>284</u>	<u>-</u>	<u>284</u>
Total general revenue	<u>5,796</u>	<u>-</u>	<u>5,796</u>
Total revenue	<u>1,150,704</u>		
Revenue over (under) expenditures	(80,937)	80,937	-
Other financing sources			
Loan proceeds	<u>22,900</u>	<u>(22,900)</u>	<u>-</u>
Net change in fund balance / net position	(58,037)	49,677	(31,260)
Fund balance / net position			
Beginning of year	<u>140,490</u>	<u>79,701</u>	<u>220,191</u>
End of year	<u>\$ 82,453</u>	<u>\$ 129,378</u>	<u>\$ 188,931</u>

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

Howell Area Parks & Recreation Authority

Notes to Financial Statements

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

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

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 grants and contributions that have not yet been expended in accordance with provisions specified by the funding source.

Howell Area Parks & Recreation Authority

Notes to Financial Statements

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

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 \$ 82,453

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	210,167
Accumulated depreciation	(88,117)

Long-term debt is not due and payable in the current year and therefore, is not reported in the fund.

Loan payable	<u>(15,572)</u>
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Net position of governmental activities \$ 188,931

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 \$ (58,037)

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	60,447
Depreciation expense	(18,098)

Issuance of long-term debt and principal payments affect net position differently than they affect fund balance.

Loan proceeds	(22,900)
Principal payments	<u>7,328</u>

Change in net position of governmental activities \$ (31,260)

Howell Area Parks & Recreation Authority

Notes to Financial Statements

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
- 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:

	<u>Governmental Activities</u>
Government-wide Financial Statement Captions	
Cash and cash equivalents	\$ <u>187,587</u>
Notes to Financial Statements	
Deposits	\$ 187,380
Cash on hand	<u>207</u>
Total	\$ <u>187,587</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.

Howell Area Parks & Recreation Authority

Notes to Financial Statements

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 \$193,259 was fully insured under FDIC and therefore not exposed to custodial credit risk.

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	\$ 34,795	\$ -	\$ -	\$ 34,795
Furniture and equipment	63,716	41,702	-	105,418
Dog park	30,966	-	-	30,966
Computer equipment	<u>20,243</u>	<u>18,745</u>	-	<u>38,988</u>
Total capital assets being depreciated	<u>149,720</u>	<u>60,447</u>	-	<u>210,167</u>
Less accumulated depreciation				
Vehicles	(3,480)	(3,480)	-	(6,960)
Furniture and equipment	(40,858)	(8,480)	-	(49,338)
Dog park	(8,928)	(1,548)	-	(10,476)
Computer equipment	<u>(16,753)</u>	<u>(4,590)</u>	-	<u>(21,343)</u>
Total accumulated depreciation	<u>(70,019)</u>	<u>(18,098)</u>	-	<u>(88,117)</u>
Net capital assets being depreciated	<u>79,701</u>	<u>42,349</u>	-	<u>122,050</u>
Total net capital assets	<u>\$ 79,701</u>	<u>\$ 42,349</u>	<u>\$ -</u>	<u>\$ 122,050</u>

Howell Area Parks & Recreation Authority

Notes to Financial Statements

Note 5 – Long-term Debt

During the year, the Authority entered into a loan agreement with Oceola County to purchase audio-visual equipment in the amount of \$22,900. The agreement stipulates that the balance will be paid in 25 monthly payments of \$916. There are no interest requirements unless the Authority defaults on the loan. Long-term debt activity for the year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due in One Year
Loan agreement	\$ -	\$ 22,900	\$ (7,328)	\$ 15,572	\$ 10,992

The Authority's annual debt service requirements to maturity for the loan agreement is as follows:

Year Ending December 31	Principal	Interest
2022	\$ 10,9932	\$ -
2023	4,580	-
Total	\$ 15,572	\$ -

Note 6 – Operating Lease

The Authority leases fitness equipment under an operating lease agreement that expires in April 2026. The agreement has met the criteria and is properly recorded as an operating lease. The total amount payments made under the lease agreement was \$15,280 during the year. Future minimum lease payments under the operating lease are as follows:

Year Ending December 31	Amount
2022	\$ 22,920
2023	22,920
2024	22,920
2025	22,920
2026	7,640
Total	\$ 99,320

Howell Area Parks & Recreation Authority

Notes to Financial Statements

Note 7 – 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 \$1,000 to the Plan.

Note 8 – 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.

Note 9 – 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 the Townships during the year was \$550,000 or 48% of total revenue.



Howell Area Parks & Recreation Authority

Required Supplementary Information

Budgetary Comparison Schedule General Operating Fund

For the Year Ended December 31, 2021

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Municipal contributions	\$ 554,000	\$ 550,000	\$ 550,000	\$ -
Program fees	372,426	328,867	352,501	23,634
Management fees	45,000	45,000	45,000	-
Facility rental fees	79,500	44,000	50,536	6,536
Other charges for services	57,937	44,130	41,471	(2,659)
Sponsorships	49,500	42,300	44,370	2,070
Donations	51,250	41,603	43,026	1,423
Grants	8,000	31,500	16,500	(15,000)
Fundraising	21,530	1,520	1,504	(16)
Other revenues	250	1,900	5,512	3,612
Interest earned on deposits	300	300	284	(16)
Total revenues	1,239,693	1,131,120	1,150,704	19,584
Expenditures				
Personal services				
Salaries and wages	621,870	541,773	528,174	(13,599)
Payroll taxes	47,216	40,800	39,865	(935)
Fringe benefits	69,560	44,394	28,781	(15,613)
Supplies				
Operating supplies	124,970	125,785	133,108	7,323
Office supplies	34,762	81,245	80,085	(1,160)
Other services and charges				
Contractual services	104,275	116,459	113,580	(2,879)
Communications	20,400	26,000	24,394	(1,606)
Marketing, printing and publishing	6,400	9,060	9,634	574
Insurance	50,500	35,500	38,171	2,671
Dues	5,760	3,067	3,273	206
Utilities	50,000	47,700	50,345	2,645
Repairs and maintenance	50,000	44,250	55,164	10,914
Equipment rentals	17,400	31,500	31,820	320
Facility rentals	-	16,000	16,000	-
Education and training	6,950	4,075	2,187	(1,888)
Bank fees	6,000	6,000	7,747	1,747
Miscellaneous	1,000	1,600	1,538	(62)
Debt service	-	-	7,328	7,328
Capital outlay	20,630	41,000	60,447	19,447
Total expenditures	1,237,693	1,216,208	1,231,641	15,433
Revenues over (under) expenditures	2,000	(85,088)	(80,937)	4,151
Other financing sources				
Loan proceeds	-	-	22,900	22,900
Net change in fund balance	2,000	(85,088)	(58,037)	27,051
Fund balance				
Beginning of year	140,490	140,490	140,490	-
End of year	\$ 142,490	\$ 55,402	\$ 82,453	\$ 27,051

Howell Area Parks & Recreation Authority

Notes to Required Supplementary Information

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 is 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.

Michigan Public Act 621 of 1978, Section 18(1), as amended, provides that a governmental unit shall not incur expenditures in excess of the amount appropriated at the legally adopted level. The General Operating Fund had expenditures that exceeded budgeted appropriations at the activity level for debt service and capital outlay expenditures, which is the Authority's legal level of budgetary control. Revenues and existing fund balance were sufficient to cover all expenditures.



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, 2021

	General Operations	Youth Sports	Festivals	Preschool	Senior Center	Summer Camp
Revenues						
Municipal contributions	\$ 550,000	\$ -	\$ -	\$ -	\$ -	\$ -
Program fees	14,115	140,830	30,991	26,292	91,954	41,417
Management fees	-	-	-	-	-	-
Facility rental fees	39,516	11,020	-	-	-	-
Other charges for services	20,697	-	-	-	-	-
Sponsorships	-	7,500	36,870	-	-	-
Donations	-	-	-	-	10,706	-
Grants	-	-	-	-	11,500	-
Fundraising	-	-	-	1,104	-	-
Other revenues	471	-	5,041	-	-	-
Interest earned on deposits	284	-	-	-	-	-
Total revenues	<u>625,083</u>	<u>159,350</u>	<u>72,902</u>	<u>27,396</u>	<u>114,160</u>	<u>41,417</u>
Expenditures						
Personal services:						
Salaries and wages	254,759	55,244	43,981	25,555	35,613	25,800
Payroll taxes	20,280	3,252	3,071	2,207	2,822	1,121
Fringe benefits	11,052	1,044	11,470	-	-	-
Supplies:						
Operating supplies	4,831	27,471	47,006	1,262	35,191	5,827
Office supplies	79,516	14	219	-	-	-
Other services and charges:						
Contractual services	57,166	31,382	3,441	37	8,780	111
Communications	24,394	-	-	-	-	-
Marketing, printing and publishing	8,486	-	1,088	-	-	60
Insurance	37,671	-	-	-	-	-
Dues	2,387	-	886	-	-	-
Utilities	47,970	2,375	-	-	-	-
Repairs and maintenance	52,674	-	-	-	-	-
Equipment rentals	27,680	3,055	1,085	-	-	-
Facility rentals	16,000	-	-	-	-	-
Education and training	909	-	269	-	248	62
Bank fees	7,747	-	-	-	-	-
Debt service	7,328	-	-	-	-	-
Capital outlay	53,950	-	-	-	-	-
Miscellaneous	1,538	-	-	-	-	-
Total expenditures	<u>716,338</u>	<u>123,837</u>	<u>112,516</u>	<u>29,061</u>	<u>82,654</u>	<u>32,981</u>
Revenues over (under) expenditures	(91,255)	35,513	(39,614)	(1,665)	31,506	8,436
Other financing sources						
Loan proceeds	22,900	-	-	-	-	-
Net change in fund balance	(68,355)	35,513	(39,614)	(1,665)	31,506	8,436
Fund balance (deficit)						
Beginning of year	<u>220,021</u>	<u>(106,748)</u>	<u>(17,608)</u>	<u>15,482</u>	<u>(23,946)</u>	<u>5,302</u>
End of year	<u>\$ 151,666</u>	<u>\$ (71,235)</u>	<u>\$ (57,222)</u>	<u>\$ 13,817</u>	<u>\$ 7,560</u>	<u>\$ 13,738</u>

City Park / Boat Launch	Teen Center	Transport- ation	Dog Park	Total
\$ -	\$ -	\$ -	\$ -	\$ 550,000
-	6,902	-	-	352,501
45,000	-	-	-	45,000
-	-	-	-	50,536
7,653	1,596	-	11,525	41,471
-	-	-	-	44,370
-	28,570	3,750	-	43,026
-	5,000	-	-	16,500
-	400	-	-	1,504
-	-	-	-	5,512
-	-	-	-	284
<u>52,653</u>	<u>42,468</u>	<u>3,750</u>	<u>11,525</u>	<u>1,150,704</u>
44,485	42,737	-	-	528,174
3,156	3,956	-	-	39,865
-	5,215	-	-	28,781
4,243	5,406	-	1,871	133,108
-	336	-	-	80,085
4,093	-	3,570	5,000	113,580
-	-	-	-	24,394
-	-	-	-	9,634
-	-	-	500	38,171
-	-	-	-	3,273
-	-	-	-	50,345
-	-	-	2,490	55,164
-	-	-	-	31,820
-	-	-	-	16,000
-	699	-	-	2,187
-	-	-	-	7,747
-	-	-	-	7,328
-	6,497	-	-	60,447
-	-	-	-	1,538
<u>55,977</u>	<u>64,846</u>	<u>3,570</u>	<u>9,861</u>	<u>1,231,641</u>
(3,324)	(22,378)	180	1,664	(80,937)
-	-	-	-	22,900
(3,324)	(22,378)	180	1,664	(58,037)
<u>57,677</u>	<u>(28,416)</u>	<u>1,436</u>	<u>17,290</u>	<u>140,490</u>
<u>\$ 54,353</u>	<u>\$ (50,794)</u>	<u>\$ 1,616</u>	<u>\$ 18,954</u>	<u>\$ 82,453</u>