

**WATERWAYS SPONSORED FACILITIES
Financial Reporting from Grant-In-Aid Communities**

Policy

The Grant-In-Aid program provided by the Michigan State Waterways Fund (MSWF) provides funding opportunities to local communities for developing marina and boat launch facilities. These sponsored facilities are subject to certain terms within their agreements with the State of Michigan. One of these requirements is for the community to provide to the Department of Natural Resources with an annual financial summary detailing the cost of operations and revenues received from use of the facility. The second requirement is that all net revenues be held in a restricted fund to provide for future maintenance needs or construction opportunities for the dedicated Waterways facilities. Both of these conditions are required in perpetuity based on the life of the facilities sponsored through MSWF. The Department will only seek financial reports for communities who charge fees for use of the facilities.

Procedures:

Section I: Financial Reporting:

MSWF sponsored facilities shall maintain financial records for auditing purposes and must provide a copy of the harbor financial report each year to the Department. This report must be completed by an independent, certified auditor and provided to the Department within six months of the end of their fiscal year.

A letter written by the Department will be sent out the first Friday in March from the Parks and Recreation Division (PRD), Lansing Office as a reminder to the community of their reporting obligations. This letter will explain in detail the terms of their agreements. It will be the responsibility of the community to notify the Division as to the date of their completed fiscal year.

Any community failing to comply by not providing the required financial report will be considered in violation of the terms of their agreement. The community will receive a letter from PRD detailing:

- Notification of the violation in the terms of their agreement.
- All current and future funding for projects are suspended until the terms of the violation have been rectified to the satisfaction of the Department.
- Notification of the violation to other Divisions and Offices who provide grants to communities.

If after receiving notification of the violations, the community continues to operate their facilities in a non-compliant manner, the Department will assume the conditions stated within the agreement. These conditions include:

- Seek compensation from the community for the appraised amount of the sponsored facilities.

OR

- Assume control and operations of the facility.

The Department shall consider these conditions if no other resolution can be found. This process begins within six months after the initial letter was sent.

Section II: Marina Fund:

Michigan State Waterways Fund sponsored facilities are required to hold any net revenue from operations aside for a deposit into a dedicated fund to assist in offsetting future construction and maintenance activities at the facility. In the community's financial report there should be a clear representation of the dedicated fund and the dispersal of those funds towards the sponsored facilities, subject to the agreement.

If there is an issue of funds being used for other purposes within the community at the exception of the sponsored facilities, the community is considered in non-compliance with their agreement. The Department will follow the same steps of notification and enforcement with a letter as mentioned in the previous Financial Reporting section.

Section III: Periodic Auditing:

At their discretion, the Department may periodically request a full audit of the community. This audit will be performed by a representative of the Department's Office of Internal Audit.

Potential items of interest to note should include (but are not limited to):

- Dedicated, restricted funds for the facilities and the accounting of the dispersal of those funds.
- Administrative and Labor costs effectively paid out of the facilities budgets accurately reflect labor attributed to those sponsored facilities.
- Revenue derived from seasonal and transient boating accurately reflects approved MSW Commission rates (including variances).
- Any identified expenditure category which appears to be excessive.

Any community found in non-compliance with the terms of their agreement is subject to the conditions and process mentioned earlier in this policy.