



# Howell Area Parks & Recreation Authority

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## Financial Statements

For the Year Ended June 30, 2009



SMITH & KLACZKIEWICZ, PC  
CPA'S AND CONSULTANTS

# HOWELL AREA PARKS & RECREATION AUTHORITY

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SMITH & KLACZKIEWICZ, PC  
CPA'S AND CONSULTANTS

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A VETERAN OWNED BUSINESS

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities and the major fund of the **Howell Area Parks & Recreation Authority** (the "Authority"), as of and for the year ended June 30, 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 June 30, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 management's discussion and analysis on pages 2 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The budgetary comparison information on page 19 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Smith + Klaczkiwicz PC*

**Saginaw, Michigan**

August 19, 2009

# 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 and Oceola (the "Townships"). The Authority began operations on July 1, 2008. As such, comparative data will be provided in ensuing years. The following discussion and analysis of the financial performance for the Authority provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2009. 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 assets portion of the governmental funds balance sheet/statement of net assets 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 taxpayers' 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 funds.

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

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

The *statement of activities* presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets 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 *Primary 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 7 and 8 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 fiscal 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 adopts an annual appropriated budget for its fund. A budgetary comparison statement has been provided herein to demonstrate compliance with that budget. The Budgetary Comparison Schedule - General Operating Fund can be found on page 19 of this report.

The Authority does not maintain proprietary nor fiduciary funds.

### **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 9 through 18 of this report.

### **Other information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. Such information is limited to this management's discussion and analysis.

# Howell Area Parks & Recreation Authority

## Management's Discussion and Analysis

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### Government-wide Financial Analysis

The following table presents condensed financial information taken from the Authority's Statement of Net Assets and Statement of Activities for the fiscal year ended June 30, 2009:

	<b><u>Statement of Net Assets</u></b>
<i>Assets:</i>	
Current and other assets	\$ 28,682
Capital assets, net	<u>13,676</u>
Total assets	<u>42,358</u>
<i>Liabilities:</i>	
Current liabilities	49,549
Long-term liabilities	<u>7,653</u>
Total liabilities	<u>57,202</u>
<i>Net Assets (Deficit):</i>	
Invested in capital assets	13,676
Unrestricted	<u>(28,520)</u>
Total net assets (deficit)	<u>\$ (14,844)</u>

	<b><u>Statement of Activities</u></b>
<i>Revenues:</i>	
Charges for services	\$ 385,040
Operating contributions	318,628
Capital contributions	7,362
Donations	45,439
Interest	<u>811</u>
Total revenues	<u>757,280</u>
<i>Expenses:</i>	
Recreation and culture	<u>772,124</u>
Change in net assets	(14,844)
Net assets – beginning	<u>-</u>
Net assets (deficit) - ending	<u>\$ (14,844)</u>

As mentioned previously, the fiscal year ended June 30, 2009 was the Authority's first year of operations. As such, comparative information is not available and will be provided in ensuing years. The current year's operations resulted in a net deficit due to revenues not being sufficient to cover expenses.

# 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 fiscal year ended June 30, 2009:

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<i>Revenues:</i>				
Operating contributions	\$ 320,000	\$ 318,628	\$ 318,628	\$ -
Program fees	304,350	287,500	282,046	(5,454)
Other	132,300	134,752	156,606	21,854
Total revenues	<u>756,650</u>	<u>740,880</u>	<u>757,280</u>	<u>16,400</u>
<i>Expenditures:</i>				
Personal services	453,247	409,510	426,471	16,961
Supplies	85,350	98,500	101,166	2,666
Other services & charges	211,753	214,220	232,520	18,300
Capital outlay	<u>6,300</u>	<u>18,650</u>	<u>17,990</u>	<u>(660)</u>
Total revenues	<u>756,650</u>	<u>740,880</u>	<u>778,147</u>	<u>37,267</u>
Change in fund balance	-	-	(20,867)	(20,867)
Beginning fund balance	-	-	-	-
Ending in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (20,867)</u>	<u>\$ (20,867)</u>

The reason other revenues were over budget was due primarily to the grant received from Citizen's Insurance for the Teen Center. Program fees were slightly under budget because of program fluctuation, available gym rentals at the Howell Public Schools that did not materialize causing cancellation, and weather dependent programs that were canceled.

Expenditures were over budget for personal services and other services and charges due to the start of the management contract to take over the beach and the boat launch from the City of Howell.

### Capital Asset and Debt Administration

At the end of fiscal year 2009, the Authority had \$13,676 (net of depreciation) invested in capital assets. Included in this total is \$12,195 spent to equip an internet café for use by the local teens. Most of the outdoor recreation amenities in the Howell community are owned by either the City of Howell or the Townships.

# **Howell Area Parks & Recreation Authority**

## **Management's Discussion and Analysis**

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

The Howell Area Parks and Recreation Authority continues to evaluate and modify program offerings and events, while offering new program initiatives that address key trends facing the Howell community. A key goal next year is to continue the development of partnerships and collaborative efforts in order to increase the recreation opportunities available to residents and to assist the department with the financial impact of delivering quality leisure services. The Parks and Recreation 5 Year Master Plan was updated in fiscal year 2009 and will continue to provide the Authority with direction on program trends, facility priorities and park priorities. The use of resident surveys, focus groups and public workshops provided the feedback necessary to help prioritize services and future development.

While a dedicated recreation millage was defeated in 2006 by area voters, the Howell Area Parks & Recreation Authority continues to operate through significant contributions from the four local municipalities that are members of the Authority and a three tier fee structure that recognizes those contributions.

The three tier fee structure was instituted approximately three years ago as a way to address the inequity of the financial support that is contributed by local units of government each year -- the City of Howell (\$100,000), Oceola Township (\$100,000), Genoa Township (\$60,000) and Marion Township (\$60,000). These contributions equal approximately one half of the Howell Area Parks & Recreation Authority's budget of \$750,000. Residents of the four municipalities that are members of the Authority are afforded a lower fee because approximately half of their program participation fee is already paid for through their local unit of government. Marion and Genoa Township resident fees are approximately 30% lower than non-resident rates, and the City of Howell and Oceola Township resident fees are 50% lower than non-resident rates.

### **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 Assets

June 30, 2009

	General Operating Fund	Adjustments	Statement of Net Assets
<b>Assets</b>			
Cash and cash equivalents	\$ 20,953	\$ -	\$ 20,953
Accounts receivable	2,342	-	2,342
Due from other governmental units	2,867	-	2,867
Prepaid items	2,520	-	2,520
Noncurrent assets:			
Capital assets being depreciated, net	-	13,676	13,676
Total assets	<u>\$ 28,682</u>	<u>13,676</u>	<u>42,358</u>
<b>Liabilities</b>			
Accounts payable	\$ 9,589	-	9,589
Accrued expenses	14,210	-	14,210
Unearned revenue	25,750	-	25,750
Noncurrent liabilities:			
Due within one year	-	765	765
Due in more than one year	-	6,888	6,888
Total liabilities	<u>49,549</u>	<u>7,653</u>	<u>57,202</u>
<b>Fund Balance / Net Assets</b>			
Fund Balance			
Reserved for prepaid items	2,520	(2,520)	-
Reserved for restricted contributions	152	(152)	-
Unreserved	<u>(23,539)</u>	<u>23,539</u>	<u>-</u>
Total fund balances	<u>(20,867)</u>		
Total liabilities and fund balances	<u>\$ 28,682</u>		
<b>Net Assets</b>			
Invested in capital assets			13,676
Unrestricted			<u>(28,520)</u>
Total net assets			<u>\$ (14,844)</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 June 30, 2009*

	General Operating Fund	Adjustments	Statement of Activities
Expenditures / expenses			
Recreation and culture	\$ 760,157	\$ 11,967	\$ 772,124
Capital outlay	17,990	(17,990)	-
Total expenditures / expenses	<u>778,147</u>	<u>(6,023)</u>	<u>772,124</u>
Program revenue			
Charges for services	<u>385,040</u>	<u>-</u>	<u>385,040</u>
Operating grants and contributions			
Contributions from local units	318,628	-	318,628
Donations	45,439	-	45,439
Total program revenue	<u>364,067</u>	<u>-</u>	<u>364,067</u>
Net program revenue			<u>(23,017)</u>
General revenue			
Interest earned on deposits	<u>811</u>	<u>-</u>	<u>811</u>
Total revenue	<u>749,918</u>		
Revenues over (under) expenditures	(28,229)	28,229	-
Other financing sources (uses)			
Capital contributions	<u>7,362</u>	<u>-</u>	<u>7,362</u>
Net change in fund balance / net assets	(20,867)	6,023	(14,844)
Fund balance / net assets - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance / net assets - end of year	<u>\$ (20,867)</u>	<u>\$ 6,023</u>	<u>\$ (14,844)</u>

*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 American (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 and Osceola (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. Accordingly, the Authority follows the financial policies adopted by the Howell City Council. Based upon the delegation of those responsibilities by agreement, it is inherent that financial policies that are adopted by the City are integral to the operation of the Authority. The accompanying financial statements present the Authority’s operations for the government as a whole.

The basic criterion 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 Board 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 Board has oversight responsibility, which should be included in the accompanying financial statements.

The Authority consists of five members made up 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 is presented in the Statement of Net Assets and Governmental Fund Balance Sheet and the Statement of Activities and 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.

# Howell Area Parks & Recreation Authority

## Notes to Financial Statements

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The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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 earned on deposits and other items not properly included among program revenues are reported instead as *general revenues*.

Net assets are 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 assets.

### **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 assets 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 assets are reported in two parts – invested in capital assets, net of related debt, and unrestricted net assets.

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 period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Major revenue types for which receivables are recorded on the current accounting period's balance sheet include the contributions by the City and Townships, program activities, and facility rental income. All other revenue items are considered to be available only when cash is received by the Authority.

Expenditures generally are 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. 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 fiscal period.

# Howell Area Parks & Recreation Authority

## Notes to Financial Statements

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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 government, including rental and maintenance of all facilities within the Authority's oversight.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

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.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

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

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

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

State statutes authorize the government 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 composed 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 future fiscal years and are therefore accounted for as prepaid items in both the government-wide and fund financial statements.

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

Capital assets, which include property, plant and equipment are reported in the government-wide financial statements. Capital assets are defined by the government 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.

# Howell Area Parks & Recreation Authority

## Notes to Financial Statements

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Donated capital assets are recorded at estimated fair market value at the date of donation. The governmental activities have 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 useful lives:

Furniture and equipment	5 to 10 years
Vehicles	5 to 10 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 current fiscal year, unearned revenue was reported in the governmental activities and in governmental fund for unearned contributions in the General Operating Fund.

### ***Compensated Absences (Vacation and Sick Leave)***

It is the Authority's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Upon separation from employment from the Authority, the Executive Director may receive payment of the accumulated sick and vacation days at 100%. Unused sick and vacation time accumulated by all other employees is not paid to the employees upon separation from employment. A liability for the Executive Director's unused sick and vacation time is accrued when incurred in the government-wide column of the financial statements.

### ***Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. A portion of the Authority's fund balance was reserved for prepaid items and for restricted contributions at year end. No portion of the Authority's fund balance was designated at year end.

### **Use of Estimates**

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

# Howell Area Parks & Recreation Authority

## Notes to Financial Statements

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### *Capital Contributions*

The Authority began operations on July 1, 2008. Prior to the creation of the Authority, the operations were accounted for as a fund of the City of Howell. On July 1, 2008, all assets, liabilities and equity in the City's fund at June 30, 2008 were transferred to the Authority. The amount reported as capital contributions represents the fund balance / net assets of the City of Howell's Parks & Recreation Fund at June 30, 2008 that were transferred to the Authority.

### **Note 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

#### *Explanation of differences between the governmental fund balance sheet and the statement of net assets*

Fund Balance – General Fund \$ (20,867)

Amounts reported for governmental activities in the statement of net assets 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	17,990
Accumulated depreciation	(4,314)

Long-term liabilities are not due and payable in the current period and are not reported in the fund.

Compensated absences	<u>(7,653)</u>
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Net assets of governmental activities	<u>\$ (14,844)</u>
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# Howell Area Parks & Recreation Authority

## Notes to Financial Statements

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### *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 Fund \$ (20,867)

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	17,990
Depreciation expense	(4,314)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (7,653)

Change in net assets of governmental activities \$ (14,844)

### **Note 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### ***Budgetary Information***

An annual budget is adopted for the General Operating Fund on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year end. The annual budget is prepared by the Executive Director and reviewed by the Authority's Board of Trustees. After the budget is approved by the Authority 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 Board on a semi-annual 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 current year, the budget was amended in a legally permissible manner. The budget was prepared in accordance with accounting principles generally accepted in the United States of America. 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.

# Howell Area Parks & Recreation Authority

## Notes to Financial Statements

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### *Excess of Expenditures Over Appropriations in Budgeted Funds*

The following expenditures exceeded budgeted appropriations at the department level, which is the Authority's legal level of budgetary control:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Recreation and culture	\$ 740,880	\$ 778,233	\$ 37,353

### **Note 4 - 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 board 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 year-end, the Authority's deposits were reported in the basic financial statements in the following categories:

# Howell Area Parks & Recreation Authority

## Notes to Financial Statements

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	<b><u>Governmental Activities</u></b>
Government-wide Financial Statement Captions	
Cash and cash equivalents	\$ <u>20,953</u>
Notes to Financial Statements	
Deposits	\$ 20,353
Cash on hand	<u>600</u>
Total	<u>\$ 20,953</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, nor at year-end.

### Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. The Township does not have a deposit policy for custodial credit risk. At year end, none of the Authority's bank balance of \$33,041 was exposed to custodial credit risk because it was uninsured and uncollateralized.

### 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 year end, the Authority had no investments.

### 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 year end, the Authority had no investments.

# Howell Area Parks & Recreation Authority

## Notes to Financial Statements

### **Note 5 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2009, was as follows:

	<b>Balance July 1, 2008</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance June 30, 2009</b>
Capital assets being depreciated				
Vehicles	\$ -	\$ 1,850	\$ -	\$ 1,850
Furniture and equipment	-	7,181	-	7,181
Computer equipment	-	8,959	-	8,959
Total capital assets being depreciated	<u>-</u>	<u>17,990</u>	<u>-</u>	<u>17,990</u>
Less accumulated depreciation				
Vehicles	-	(370)	-	(370)
Furniture and equipment	-	(1,436)	-	(1,436)
Computer equipment	-	(2,508)	-	(2,508)
Total accumulated depreciation	<u>-</u>	<u>(4,314)</u>	<u>-</u>	<u>(4,314)</u>
Total net capital assets	<u>\$ -</u>	<u>\$ 13,676</u>	<u>\$ -</u>	<u>\$ 13,676</u>

### **Note 6 – LONG-TERM DEBT**

Long-term liability activity for the year ended June 30, 2009, was as follows:

	<b>Balance July 1, 2008</b>	<b>Increases</b>	<b>(Decreases)</b>	<b>Balance June 30, 2008</b>	<b>Due Within One Year</b>
Compensated absences	<u>\$ -</u>	<u>\$ 13,138</u>	<u>\$ (5,485)</u>	<u>\$ 7,653</u>	<u>\$ 765</u>

### **Note 7 – 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 did not exceed the amount of insurance coverage in the current year (initial year of operations).

### **Note 8 – 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.

# Howell Area Parks & Recreation Authority

## Notes to Financial Statements

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The Authority is required to contribute 10% of eligible employees' annual covered payroll and employees may voluntarily contribute up to 5% of covered payroll. Employees are vested after one (1) year of service. During the year ended June 30, 2009, the total employer and employee contributions to the plan were \$14,295 and \$0, respectively.

### **Note 9 – CONCENTRATION OF REVENUE**

The Authority is dependent upon the City of Howell and the Townships of Marion, Genoa and Osceola to fund its operations through operating subsidies. Total revenue received from the City and Townships for the fiscal year ended June 30, 2009 was \$318,628 or 42% of total revenue.

### **Note 10 - FUND DEFICIT**

At June 30, 2009, the General Operating Fund had an accumulated fund deficit of \$20,867. Public Act 275 of 1980 (MCL141.921) requires that the Authority file a deficit elimination plan to the Michigan Department of Treasury within 90 days after the end of the fiscal year for each fund that ended the year in a deficit condition.

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# Howell Area Parks & Recreation Authority

## Required Supplementary Information

### Budgetary Comparison Schedule General Operating Fund

*For the Year Ended June 30, 2009*

	Original Budget	Amended Budget	Actual	Over (Under) Budget
<b>Revenues</b>				
Operating contributions - City and Townships	\$ 320,000	\$ 318,628	\$ 318,628	\$ -
Program fees	304,350	287,500	282,046	(5,454)
Facility rental fees	29,000	29,000	27,115	(1,885)
Tuition	65,000	45,000	43,144	(1,856)
Other charges for services	12,500	14,577	15,267	690
Donations	21,900	41,650	43,555	1,905
Reimbursements	800	25	17,468	17,443
Interest earned on deposits	100	1,500	811	(689)
Other revenues	3,000	3,000	1,884	(1,116)
<b>Total revenues</b>	<b>756,650</b>	<b>740,880</b>	<b>749,918</b>	<b>9,038</b>
<b>Expenditures</b>				
<b>Personal services:</b>				
Salaries and wages	350,377	320,510	337,790	17,280
Fringe benefits	102,870	89,000	88,681	(319)
<b>Supplies:</b>				
Office supplies	6,100	15,000	17,529	2,529
Operating supplies	74,750	80,000	81,129	1,129
Purchases from donations	4,500	3,500	2,508	(992)
<b>Other services and charges:</b>				
Contractual services	62,500	82,500	89,408	6,908
Communications	10,300	9,000	9,509	509
Marketing, printing and publishing	35,300	32,000	36,533	4,533
Insurance	15,000	12,500	12,624	124
Transportation	5,060	8,000	5,637	(2,363)
Utilities	42,400	35,200	32,267	(2,933)
Repairs and maintenance	12,570	12,570	14,106	1,536
Equipment rentals	3,200	4,200	4,455	255
Facility rentals	12,700	7,000	14,122	7,122
Education and training	2,500	1,500	1,463	(37)
Bank fees	7,500	7,500	9,909	2,409
Miscellaneous	2,723	2,250	2,487	237
Capital outlay	6,300	18,650	17,990	(660)
<b>Total expenditures</b>	<b>756,650</b>	<b>740,880</b>	<b>778,147</b>	<b>37,267</b>
Revenues over (under) expenditures	-	-	(28,229)	(28,229)
<b>Other financing sources (uses)</b>				
Capital contributions	-	-	7,362	7,362
Net change in fund balance	-	-	(20,867)	(20,867)
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ (20,867)	\$ (20,867)