

**SOUTH LYON AREA
RECREATION AUTHORITY**

Annual Financial Report

For the Year Ended June 30, 2022

SOUTH LYON AREA RECREATION AUTHORITY

AUTHORITY BOARD

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AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

November 23, 2022

To the South Lyon Area Recreation Authority Board Members
23333 Griswold Rd., Suite 100
South Lyon, Michigan 48178

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information, and the related notes to the financial statements, of South Lyon Area Recreation Authority, Michigan as of and for the year ended June 30, 2022, which collectively comprise the Authority's basic financial statements as listed in the table of contents. In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of South Lyon Area Recreation Authority, Michigan, as of June 30, 2022, and the respective changes in financial position, thereof 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 (GAAS). 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 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. 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 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 Responsibility 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 GAAS 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 GAAS 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 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 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 on pages 8-10 and 32 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 Authority's basic financial statements. The accompanying supplementary information such as the combining and individual fund financial statements are 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 combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis
June 30, 2022

Within this section of South Lyon Area Recreation Authority's annual financial report, the Authority's management is providing a narrative discussion and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2022. This narrative discusses and analyzes the activity within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Authority's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

The Authority has one kind of fund, as follows:

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

Notes to the financial statements

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

Other information

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

Financial Analysis of the Authority as a Whole

The Authority’s net position at the end of the fiscal year was \$675,451. This is a \$19,214 decrease over last year’s net position of \$694,665. This decrease is much smaller than the prior year’s decrease. The prior year had a significant reduction in revenues based on the COVID 19 pandemic and the shut-down of most recreation activities. This year the Authority was able to return to normal program operation that included an increase in related expenses to operate these programs. The Authority also adopted the new GASB 87 Lease Standard as described in Note 8.

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

Summary of Net Position

	Governmental Activities	
	6/30/2022	6/30/2021
Current and other assets	\$ 885,731	\$ 833,277
Capital assets, net	1,017	2,374
Right-to-use assets, net	45,923	
Total assets	932,671	835,651
Accounts payable/accrued expenses	41,618	11,822
Lease liability	33,077	
Unearned revenue	182,525	129,164
Total liabilities	257,220	140,986
Net position:		
Invested in capital assets, net of related debt	1,017	2,374
Unrestricted	674,434	692,291
Total net position	\$ 675,451	\$ 694,665

Summary of Changes in Net Position

	Governmental Activities	
	6/30/2022	6/30/2021
Revenues		
Program revenues:		
Charges for services	\$ 514,253	\$ 140,788
Operating grants and contributions	63,081	60,850
General revenues:		
Other	8,309	14,405
Interest	2,451	4,366
Total revenues	588,094	220,409
Expenses		
Parks and recreation	607,308	356,092
Changes in net position	(19,214)	(135,683)
Beginning net position	694,665	830,348
Ending net position	\$ 675,451	\$ 694,665

Financial Analysis of the Authority's Funds

The Authority decreased its General Fund's fund balance by \$30,703. There was a large increase in revenues based on the prior year being affected by the COVID 19 pandemic; and there was a corresponding increase in expenses related to providing the staff, facilities and supplies to put on these programs.

Capital Asset and Long-Term Debt Activity

The Authority did not acquire any new fixed assets during the fiscal year.

There was no long-term debt issued or repaid during the year or any outstanding at year end.

General Fund Budgetary Highlights

The Authority approved a budget prior to the start of the fiscal year. During the year there were significant amendments to the budget due to the Authority effects from COVID pandemic. The Authority was under their expected revenue budget and over budget in a few areas; see the note to the required supplementary information.

Economic Conditions and Future Activities

The Authority continues to develop relationships with local business and organizations. These collaborative efforts help to offset programming expenses and minimize duplication of services. South Lyon Community Schools continues to be a primary partner. In-person programs returned to normal during the fiscal year and outdoor programs continued to do well.

Contacting the Authority's Financial Management

This report is designed to provide a general overview of the Authority's financial position and comply with finance-related regulations. If you have any further questions about this report or request additional information please contact South Lyon Area Recreation Authority at 23333 Griswold Rd., Suite 100, South Lyon, Michigan 48178.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

SOUTH LYON AREA RECREATION AUTHORITY

**STATEMENT OF NET POSITION
JUNE 30, 2022**

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 867,448
Other receivables	46
Prepaid expenses	18,237
Depreciable capital assets - net of depreciation	1,017
Intangible right-to-use assets	<u>45,923</u>
Total assets	<u>932,671</u>
LIABILITIES	
Accounts payable	25,462
Accrued payroll	16,156
Lease liability	33,077
Unearned revenue	<u>182,525</u>
Total liabilities	<u>257,220</u>
NET POSITION	
Investment in capital assets, net of related debt	1,017
Unrestricted	<u>674,434</u>
Total net position	<u><u>\$ 675,451</u></u>

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

SOUTH LYON AREA RECREATION AUTHORITY

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
GOVERNMENTAL ACTIVITIES				
Parks and recreation	\$ (607,308)	\$ 514,253	\$ 63,081	\$ (29,974)
General revenues				
Other				8,309
Interest				2,451
				10,760
				Changes in net position
				(19,214)
				Net position, July 1, 2021
				694,665
				Net position, June 30, 2022
				\$ 675,451

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

FUND FINANCIAL STATEMENTS

SOUTH LYON AREA RECREATION AUTHORITY

**BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2022**

	<u>General Fund</u>
ASSETS	
Cash and investments	\$ 867,448
Other receivables	46
Prepaid expenditures	<u>18,237</u>
Total assets	<u><u>\$ 885,731</u></u>
LIABILITIES	
Accounts payable	\$ 25,462
Accrued payroll	16,156
Unearned revenue	<u>182,525</u>
Total liabilities	<u>224,143</u>
FUND BALANCE	
Non-spendable - prepaid	18,237
Committed - capital expenditures	<u>585,729</u>
Total fund balance	<u>661,588</u>
Total liabilities and fund balance	<u><u>\$ 885,731</u></u>

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

SOUTH LYON AREA RECREATION AUTHORITY

**RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2022**

Total fund balance per balance sheet		\$ 661,588
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.</p>		
Historical cost	\$ 33,239	
Depreciation	<u>(32,222)</u>	
Capital assets net of depreciation		1,017
<p>Leases used in governmental activities are not financial resources and therefore, are not reported in the funds.</p>		
Present value of leases	91,846	
Amortization	<u>(45,923)</u>	
Leases net of amortization		45,923
<p>Lease liabilities that are not due and payable in the current period and therefore are not reported in the funds.</p>		
Lease liabilities		(33,077)
Net position of governmental activities		<u><u>\$ 675,451</u></u>

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

SOUTH LYON AREA RECREATION AUTHORITY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2022**

	General Fund
REVENUES	
Member municipality contributions	\$ 48,371
Charges for services	501,099
Other charges for services	13,154
Donations	14,710
Interest income	2,451
Other	8,309
Total revenues	588,094
EXPENDITURES	
Salaries	260,717
Payroll taxes	19,945
Employee benefits	18,308
Insurance	8,716
Copier expense	641
Recreation/program supplies	16,962
Education and training	1,566
Operating expense	15,944
Contract services - instructors	130,550
Dues and subscriptions	3,664
Rent/short-term leases	20,544
Rent/long-term leases	62,069
Small equipment	242
Office supplies	2,215
Community promotions	473
Bank charges	16,762
Postage	116
Professional services	13,132
Printing and publishing	1,909
Sponsorship	364
Telephone	7,369
Computer expenditures	14,626
Capital outlay	91,846
Mileage expense	1,607
Miscellaneous expense	356
Total expenditures	710,643
Excess revenues over expenditures	(122,549)
OTHER FINANCING SOURCES (USES)	
Lease financing	91,846
Net change in fund balance	(30,703)
FUND BALANCE, JULY 1, 2021	692,291
FUND BALANCE, JUNE 30, 2022	\$ 661,588

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

SOUTH LYON AREA RECREATION AUTHORITY

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

Net change in fund balance - governmental funds \$ (30,703)

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

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

Depreciation expense	\$ (1,357)	
Total:		(1,357)

Governmental funds report leases as expenditures. However, in the Statement of Activities the cost of those right-to-use assets are allocated over their useful lives as amortization expense. The current year activity is as follows:

Lease expenditure	62,069	
Amortization expense	(45,923)	
Interest expense	(3,300)	
Total:		12,846

Change in net position of governmental activities \$ (19,214)

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

NOTES TO FINANCIAL STATEMENTS

SOUTH LYON AREA RECREATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. BASIC FINANCIAL STATEMENTS

In accordance with GASB standards, the basic financial statements include both government-wide and fund financial statements.

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

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

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

SOUTH LYON AREA RECREATION AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The Authority reports the following major governmental fund:

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

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

SOUTH LYON AREA RECREATION AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BUDGET INFORMATION

The annual budget is prepared by the recreation director and adopted by the South Lyon Area Recreation Authority Board; subsequent amendments are approved by the Authority’s Board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. During the current year, the budget was amended, to reflect economic reality.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America. The budget has been adopted on a total revenue and expenditure basis. Total expenditures were over budget by \$95,433.

D. CAPITAL ASSETS

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

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Land is considered a capital asset regardless of initial cost. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

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

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

E. USE OF ESTIMATES

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

SOUTH LYON AREA RECREATION AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. RISK MANAGEMENT

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

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

G. CASH AND INVESTMENTS

Cash and investments include amounts in demand deposits and time deposits, including non-negotiable certificates of deposit.

H. INCOME TAXES

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

I. DEFERRED REVENUE

Governmental fund modified accrual basis financial statements and the government-wide full accrual financial statements report deferred revenue in connection with revenue that has not been earned since it related to advance collection of program fees for programs which will be provided subsequent to the end of the current fiscal year.

J. COMPENSATED ABSENCES

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

K. EQUITY CLASSIFICATIONS

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

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

SOUTH LYON AREA RECREATION AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. FUND EQUITY

In the fund financial statements, governmental funds report the following components of fund balance:

- Nonspendable - Amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- Restricted - Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.
- Committed - Amounts that have been formally set aside by the Authority Board for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Authority Board.
- Assigned - Intent to spend resources on specific purposes expressed by the Authority Board or director. All current year assignments have been made by the Authority Board.
- Unassigned - Amounts that do not fall into any other aforementioned category. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

NOTE 2 - FINANCIAL REPORTING ENTITY

In accordance with the provisions of the Governmental Accounting Standards Board (GASB), certain other governmental organizations are not considered to be part of the reporting entity for financial statement purposes.

The criteria established by GASB standards for various governmental organizations to be included in the reporting entity's financial statements include accountability, control, and significant financial relationships.

The accompanying financial statements of South Lyon Area Recreation Authority as of June 30, 2022, include any and all Boards, agencies, funds and account groups under the jurisdiction of the South Lyon Area Recreation Authority.

South Lyon Area Recreation Authority was jointly incorporated by the City of South Lyon, Lyon Township, and the Charter Township of Green Oak. The Authority was incorporated in 2002 under provisions of Public Act 321. The Authority is governed by a Board composed of one member from each of the above municipalities. The Authority was formed to provide recreational services to the respective communities. The City of South Lyon did not have an active board member during the year ending June 30, 2022.

SOUTH LYON AREA RECREATION AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the Authority’s governmental funds for the year ended June 30, 2022 was as follows:

<u>Governmental Activities</u>	<u>Balance 7/1/2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2022</u>
Capital assets being depreciated:				
Office equipment and furniture	\$ 30,674	\$	\$	\$ 30,674
Athletic equipment	2,565			2,565
Total cost	33,239			33,239
Accumulated depreciation:				
Office equipment and furniture	(28,300)	(1,357)		(29,657)
Athletic equipment	(2,565)			(2,565)
	(30,865)	(1,357)		(32,222)
Net capital assets, governmental activities	\$ 2,374	\$ (1,357)	\$	\$ 1,017

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

SOUTH LYON AREA RECREATION AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 4 - DEPOSITS WITH FINANCIAL INSTITUTIONS

Michigan Compiled Laws, Section 129.91, authorizes the Authority to deposit and invest in the accounts of Federally insured banks, credit union, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal Agency obligation repurchase agreements; bankers' acceptance of United States banks, commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Authority's deposits are in accordance with statutory authority.

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

As of June 30, 2022 cash and investments consist of the following:

	Total	Cash	Investments
Deposits with financial institution			
Checking accounts	\$ 292,740	\$ 292,740	\$
Savings accounts	183,572	183,572	
Total deposits	476,312	476,312	
 Investments			
External investment pool	402,112		402,112
Total deposits and investments	\$ 878,424	\$ 476,312	\$ 402,112

The carrying amount of cash and investments is stated at \$867,448 for the Authority as of June 30, 2022. The difference between the carrying amounts and amounts mentioned above stem from cash on hand and outstanding checks.

Deposits - Custodial Credit Risk

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

As of June 30, 2022, deposits in banks totaled \$878,424 which was exposed to custodial credit risk as follows:

Insured by FDIC	\$ 683,572
Uninsured and uncollateralized	194,852
Total deposits	\$ 878,424

SOUTH LYON AREA RECREATION AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 4 - DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

FDIC insurance covers up to \$250,000 for the combined amount of all time and savings accounts, and up to \$250,000 for the combined amount of all demand deposit accounts

NOTE 5 - DEFINED CONTRIBUTION PENSION PLAN

The Authority provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Authority contributes 10 percent of full-time employees' gross earnings. In accordance with these requirements, the Authority contributed \$9,249, during the year ended June 30, 2022. The Authority's contributions for each employee are fully vested after four (4) years.

NOTE 6 - GRANTS AND DONATIONS

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

City of South Lyon (related party)	\$ 22,444
Charter Township of Green Oak (related party)	5,708
Lyon Township (related party)	20,219
Private donations	<u>14,710</u>
Total	<u>\$ 63,081</u>

NOTE 7 - SHORT-TERM LEASES / RELATED PARTY

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

The Authority considers this a short-term lease, which is defined as a lease with a lease term of 12 months or less. The Authority does not recognize short-term leases on the statement of net position and the lease expense for these short-term leases is recognized on a straight-line basis over the lease term.

SOUTH LYON AREA RECREATION AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 8 - LEASES

The Authority has an operating lease for the office space at 23333 Griswold Road is with Griswold Duncan Properties LLC. The lease began June 1, 2018 and is for the duration of 60 months, terminating on May 31, 2023. Rent is due on the 1st of the month. Effective July 1, 2021, the Authority adopted GASB No. 87, Leases, and recorded a right to use asset for this lease of \$91,846, based on the present value of the remaining lease payments and an estimated incremental borrowing rate of 5.5%. Total lease payments for the year ended June 30, 2022 were \$62,069. The cost of the lease payments increases to \$5,381 per month from July 1, 2022 to May 31, 2023.

GASB 87 requires lessees to recognize a lease asset associated with their lease agreements. The following chart summarizes the total amount of lease assets and the related accumulated amortization, summarized by the major classifications of the underlying assets:

<u>Lease Description</u>	<u>Role</u>	<u>Lease Type</u>	<u>Classification</u>	<u>Net Asset Balance</u>	<u>Accumulated Amortization</u>	<u>Gross Asset Balance</u>
Building - 23333 Griswold Rd, South Lyon, Michigan	Lessee	Operating	Building	\$ 45,923	\$ 45,923	\$ 91,846

The following charts summarizes the maturity analysis of the lessee’s lease liability:

<u>Lease Description</u>	<u>Classification</u>	<u>2022</u>			<u>2023</u>		
		<u>Cash</u>	<u>Interest Expense</u>	<u>Liability Reduction</u>	<u>Cash</u>	<u>Interest Expense</u>	<u>Liability Reduction</u>
Building - 23333 Griswold Rd, South Lyon, Michigan	Building	\$ 62,069	\$ 3,300	\$ 58,769	\$ 33,476	\$ 399	\$ 33,077

As noted above, the lease expires on May 31, 2023. Total minimum lease payments for the year ending June 30, 2023 is \$64,577.

SOUTH LYON AREA RECREATION AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 9 - SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through November 23, 2022, the date the financial statements were available to be issued. Management has determined the ongoing COVID-19 events are non-adjusting subsequent events. Accordingly, the financial position and statement of activities as of and for the year ended June 30, 2022 have not been adjusted for their impact. The duration and impact of COVID-19 remains unclear at this time. While the Authority is optimistic about continuing operations going forward, it is not possible to reliably estimate the duration and severity of these consequences, nor their impact on the financial position and statement of activities of the Authority for future periods.

The Authority has determined that the Authority does not have any material recognizable or unrecognizable event.

NOTE 10 - RECENTLY IMPLEMENTED GASB PRONOUNCEMENTS

Effective July 1, 2022, the Authority adopted the Governmental Accounting Standards Board (GASB) No 87, Leases, which required leases with durations greater than twelve months to be recognized on the balance sheet. This Standard requires the recognition of lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows and outflows of resources based on the payment provision of the contract. The Standard requires a lessee to recognize a lease liability and right-to-use lease asset. As a result of implementation, the Authority recorded a right-to-use asset for \$91,846 for the present value of the remaining lease. See Note 8 for further discussion.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH LYON AREA RECREATION AUTHORITY

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Budget Amount</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Member municipality contributions	\$ 48,370	\$ 48,371	\$ 48,371	\$
Charges for services	608,800	501,099	501,099	
Other charges for services	10,290	13,154	13,154	
Donations	7,500	14,710	14,710	
Interest income	8,120	8,120	2,451	(5,669)
Other	3,525	8,309	8,309	
Total revenues	<u>686,605</u>	<u>593,763</u>	<u>588,094</u>	<u>(5,669)</u>
EXPENDITURES				
Salaries	356,490	260,717	260,717	
Payroll taxes	35,405	19,945	19,945	
Employee benefits	39,795	18,308	18,308	
Insurance	7,000	8,716	8,716	
Copier expense	1,500	641	641	
Recreation/program supplies	33,000	15,522	16,962	(1,440)
Education and training	3,575	1,566	1,566	
Operating expenses	24,000	15,944	15,944	
Contract services - instructors	175,000	128,203	130,550	(2,347)
Dues and subscriptions	3,750	3,664	3,664	
Rent/short-term leases	23,250	19,756	20,544	
Rent/long-term leases	65,594	62,857	62,069	788
Small equipment	1,000	242	242	
Office supplies	4,000	2,215	2,215	
Community promotions	3,000	473	473	
Bank charges	16,000	16,762	16,762	
Postage	1,003	116	116	
Professional services	16,720	13,132	13,132	
Printing and publishing	1,440	1,909	1,909	
Sponsorship	6,500	564	364	200
Telephone	7,620	7,369	7,369	
Computer expenditures	14,385	14,626	14,626	
Capital outlay			91,846	(91,846)
Mileage expense	3,000	1,607	1,607	
Miscellaneous expense	500	356	356	
GRASP expense	1,500			
Total expenditures	<u>845,027</u>	<u>615,210</u>	<u>710,643</u>	<u>(94,645)</u>
Excess revenues over expenditures	<u>(158,422)</u>	<u>(21,447)</u>	<u>(122,549)</u>	<u>(100,314)</u>
OTHER FINANCING SOURCES (USES)				
Lease financing			91,846	91,846
Transfers in	90,000	29,567		(29,567)
Transfers (out)	(90,000)	(90,000)		90,000
Total other financing sources (uses)		<u>(60,433)</u>	<u>91,846</u>	<u>152,279</u>
Net change in fund balance	<u>(248,422)</u>	<u>(111,447)</u>	<u>(30,703)</u>	<u>51,965</u>
FUND BALANCE, JULY 1, 2021	<u>692,291</u>	<u>692,291</u>	<u>692,291</u>	
FUND BALANCE, JUNE 30, 2022	<u>\$ 443,869</u>	<u>\$ 580,844</u>	<u>\$ 661,588</u>	<u>\$ 51,965</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SOUTH LYON AREA RECREATION AUTHORITY

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE - BUDGETARY INFORMATION

There were several areas where the expenditures exceeded appropriations in the General Fund:

General Fund	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Variance (Unfavorable)</u>
Recreation/Program Supplies	\$ 15,522	\$ 16,962	\$ (1,440)
Contract services - instructors	128,203	130,550	(2,347)
Rent/short-term leases	19,756	20,544	(788)
Capital outlay	<u> </u>	<u>91,846</u>	<u>(91,846)</u>
 Total	 <u>\$ 163,481</u>	 <u>\$ 259,902</u>	 <u>\$ (96,421)</u>

SUPPLEMENTARY INFORMATION

COMBINING FINANCIAL STATEMENTS

SOUTH LYON AREA RECREATION AUTHORITY
COMBINING BALANCE SHEETS
FUNDS INCLUDED IN GASB 54 CONSOLIDATION
JUNE 30, 2022

	General Fund Pre GASB 54 Consolidation	Capital Fund	Totals Restated General Fund
ASSETS			
Cash and investments	\$ 281,765	\$ 585,683	\$ 867,448
Interest receivable		46	46
Prepaid expenses	18,237		18,237
Total assets	\$ 300,002	\$ 585,729	\$ 885,731
LIABILITIES			
Accounts payable	\$ 25,462	\$	\$ 25,462
Accrued payroll	16,156		16,156
Unearned revenue	182,525		182,525
Total liabilities	224,143		224,143
FUND BALANCE			
Non-spendable	18,237		18,237
Committed			
Capital improvement		585,729	585,729
Unassigned	57,622		57,622
Total fund balance	75,859	585,729	661,588
Total liabilities and fund balance	\$ 300,002	\$ 585,729	\$ 885,731

SOUTH LYON AREA RECREATION AUTHORITY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
FUNDS INCLUDED IN GASB 54 CONSOLIDATION
FOR THE YEAR ENDED JUNE 30, 2022**

	General Fund Pre GASB 54 Consolidation	Capital Fund	Totals Restated General Fund
REVENUES			
Member municipality contributions	\$ 48,371	\$	\$ 48,371
Charges for services	501,099		501,099
Other charges for services	13,154		13,154
Donations	14,710		14,710
Interest income		2,451	2,451
Other	8,309		8,309
Total revenues	585,643	2,451	588,094
EXPENDITURES			
Salaries	260,717		260,717
Payroll taxes	19,945		19,945
Employee benefits	18,308		18,308
Insurance	8,716		8,716
Copier expense	641		641
Recreation/program supplies	16,962		16,962
Education and training	1,566		1,566
Operating expenses	15,944		15,944
Contract services - instructors	130,550		130,550
Dues and subscriptions	3,664		3,664
Rent/short-term leases	20,544		20,544
Rent/long-term leases	62,069		62,069
Small equipment	242		242
Office supplies	2,215		2,215
Community promotions	473		473
Bank charges	16,762		16,762
Postage	116		116
Professional services	13,132		13,132
Printing and publishing	1,909		1,909
Sponsorship	364		364
Telephone	7,369		7,369
Computer expenditures	14,626		14,626
Capital outlay	91,846		91,846
Mileage expense	1,607		1,607
Miscellaneous expense	356		356
Total expenditures	710,643		710,643
Excess revenues over expenditures	(125,000)	2,451	(122,549)
OTHER FINANCING SOURCES (USES)			
Lease financing	91,846		91,846
Net changes in fund balance	(33,154)	2,451	(30,703)
FUND BALANCE, JULY 1, 2021	109,013	583,278	692,291
FUND BALANCE, JUNE 30, 2022	\$ 75,859	\$ 585,729	\$ 661,588

INDIVIDUAL FUNDS

GENERAL FUND (PRE GASB 54 RESTATEMENT)

SOUTH LYON AREA RECREATION AUTHORITY

GENERAL FUND (PRE GASB 54 RESTATEMENT)
BALANCE SHEET
JUNE 30, 2022

ASSETS

Cash and investments		\$	281,765
Prepaid expenses			<u>18,237</u>
Total assets		\$	<u><u>300,002</u></u>

LIABILITIES

Accounts payable	\$	25,462	
Accrued payroll		16,156	
Unearned revenue		<u>182,525</u>	
Total liabilities	\$	224,143	

FUND BALANCE

			<u>75,859</u>
Total liabilities and fund balance	\$		<u><u>300,002</u></u>

SOUTH LYON AREA RECREATION AUTHORITY

**GENERAL FUND (PRE GASB 54 RESTATEMENT)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Member municipality contributions	\$ 48,371	\$ 48,371	\$
Charges for services	501,099	501,099	
Other charges for services	13,154	13,154	
Donations	14,710	14,710	
Other	8,309	8,309	
Total revenues	<u>585,643</u>	<u>585,643</u>	
EXPENDITURES			
Salaries	260,717	260,717	
Payroll taxes	19,945	19,945	
Employee benefits	18,308	18,308	
Insurance	8,716	8,716	
Copier expense	641	641	
Recreation/program supplies	15,522	16,962	(1,440)
Education and training	1,566	1,566	
Operating expense	15,944	15,944	
Contract services - instructors	128,203	130,550	(2,347)
Dues and subscriptions	3,664	3,664	
Rent/short-term leases	19,756	20,544	(788)
Rent/long-term leases	62,857	62,069	788
Small equipment	242	242	
Office supplies	2,215	2,215	
Community promotions	473	473	
Bank charges	16,762	16,762	
Postage	116	116	
Professional services	13,132	13,132	
Printing and publishing	1,909	1,909	
Sponsorship	564	364	200
Telephone	7,369	7,369	
Computer expenditures	14,626	14,626	
Capital outlay		91,846	(91,846)
Mileage expense	1,607	1,607	
Miscellaneous expense	356	356	
Total expenditures	<u>615,210</u>	<u>710,643</u>	<u>(95,433)</u>
Excess revenues over expenditures	(29,567)	(125,000)	(95,433)
OTHER FINANCING SOURCES (USES)			
Lease financing		91,846	91,846
Transfers (out)	29,567		(29,567)
Total other financing sources (uses)	<u>29,567</u>	<u>91,846</u>	<u>62,279</u>
Net changes in fund balance		(33,154)	(33,154)
FUND BALANCE, JULY 1, 2021	<u>109,013</u>	<u>109,013</u>	
FUND BALANCE, JUNE 30, 2022	<u>\$ 109,013</u>	<u>\$ 75,859</u>	<u>\$ (33,154)</u>

This supplementary information shows the General Fund prior to the implementation of GASB 54, and as such does not present the results on the basis of generally accepted accounting principles but is presented solely for supplemental information.

CAPITAL FUND (PRE GASB 54 RESTATEMENT)

SOUTH LYON AREA RECREATION AUTHORITY

**CAPITAL FUND (PRE GASB 54 RESTATEMENT)
BALANCE SHEET
JUNE 30, 2022**

ASSETS

Cash and investments	\$ 585,683
Interest receivable	<u>46</u>

Total assets	<u><u>\$ 585,729</u></u>
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FUND BALANCE	<u><u>\$ 585,729</u></u>
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This supplementary information shows the Capital Fund prior to the implementation of GASB 54, and as such does not present the results on the basis of generally accepted accounting principles but is presented solely for supplemental information.

SOUTH LYON AREA RECREATION AUTHORITY

CAPITAL FUND (PRE GASB 54 RESTATEMENT)

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Interest income	\$ 8,120	\$ 2,451	\$ (5,669)
OTHER FINANCING SOURCES			
Transfers (out)	(90,000)		90,000
Net changes in fund balance	(81,880)	2,451	84,331
FUND BALANCE, JULY 1, 2021	583,278	583,278	
FUND BALANCE, JUNE 30, 2022	\$ 501,398	\$ 585,729	\$ 84,331

This supplementary information shows the Capital Fund prior to the implementation of GASB 54, and as such does not present the results on the basis of generally accepted accounting principles but is presented solely for supplemental information.