

**SOUTH LYON AREA  
RECREATION AUTHORITY**

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**Annual Financial Report**

**For the Year Ended June 30, 2021**

**SOUTH LYON AREA RECREATION AUTHORITY**

**AUTHORITY BOARD**

Patricia Carcone  
Mark St. Charles  
Paul Zelenak

**DIRECTOR**

Amy Allen

**AUDITORS**

Pfeffer, Hanniford & Palka  
Certified Public Accountants

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**INDEPENDENT AUDITOR'S REPORT**

October 27, 2021

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, 2021, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and aggregate remaining fund information, of South Lyon Area Recreation Authority, Michigan as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7 - 9 and 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Lyon Area Recreation Authority, Michigan's basic financial statements. 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.

The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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, 2021**

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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, 2021. 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 \$694,665. This is a \$135,683 decrease over last year’s net position of \$830,348. This decrease is similar from the prior year due to decreased operating revenues.

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

**Summary of Net Position**

	<b>Governmental Activities</b>	
	<b>6/30/2021</b>	<b>6/30/2020</b>
Current and other assets	\$ 833,277	\$ 842,100
Capital assets, net	2,374	3,730
<b>Total assets</b>	<b>835,651</b>	<b>845,830</b>
Accounts payable/accrued expenses	11,822	3,264
Unearned revenue	129,164	12,218
<b>Total liabilities</b>	<b>140,986</b>	<b>15,482</b>
Net position:		
Invested in capital assets, net of related debt	2,374	3,730
Unrestricted	692,291	826,618
<b>Total net position</b>	<b>\$ 694,665</b>	<b>\$ 830,348</b>



## Summary of Changes in Net Position

	<b>Governmental Activities</b>	
	<b>6/30/2021</b>	<b>6/30/2020</b>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 140,788	\$ 536,366
Operating grants and contributions	60,850	60,420
General revenues:		
Other	14,405	8,053
Interest	4,366	16,835
<b>Total revenues</b>	<b>220,409</b>	<b>621,674</b>
<b>Expenses</b>		
Parks and recreation	356,092	719,588
<b>Changes in net position</b>	<b>(135,683)</b>	<b>(97,914)</b>
<b>Beginning net position</b>	<b>830,348</b>	<b>928,262</b>
<b>Ending net position</b>	<b>\$ 694,665</b>	<b>\$ 830,348</b>

### **Financial Analysis of the Authority's Funds**

The Authority decreased its General Fund's fund balance by \$134,327. This is mainly due to a decrease in revenues caused by the State of Michigan's Stay Home Stay Safe Initiative, which shut down Authority programs for the majority of the fiscal year.

### **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, but under budget in total.

### **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 were limited during the fiscal year; the Authority had to cancel many programs or have limited attendance due to spacing requirements. Outdoor programs that could operate performed well; and the Authority adopted some remote programs as well.

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The Authority is still assessing the impacts of the pandemic but believes there could be a resulting decrease in program revenue and investment earnings. As a result, there will be an increased focus on decreasing expenditures and tightening the budgets.

### **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, 2021**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and investments	\$ 813,684
Other receivables	129
Prepaid expenses	19,464
Depreciable capital assets - net of depreciation	<u>2,374</u>
<b>Total assets</b>	<u>835,651</u>
<b>LIABILITIES</b>	
Accounts payable	1,582
Accrued payroll	10,240
Unearned revenue	<u>129,164</u>
<b>Total liabilities</b>	<u>140,986</u>
<b>NET POSITION</b>	
Investment in capital assets, net of related debt	2,374
Unrestricted	<u>692,291</u>
<b>Total net position</b>	<u><u>\$ 694,665</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, 2021**

<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>	
<b>GOVERNMENTAL ACTIVITIES</b>				
Parks and recreation	\$ (356,092)	\$ 140,788	\$ 60,850	\$ (154,454)
<b>General revenues</b>				
Other				14,405
Interest				4,366
				18,771
				<b>Changes in net position</b>
				(135,683)
				<b>Net position, July 1, 2020</b>
				830,348
				<b>Net position, June 30, 2021</b>
				\$ 694,665

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, 2021**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ 813,684
Other receivables	129
Prepaid expenditures	<u>19,464</u>
<b>Total assets</b>	<u><u>\$ 833,277</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 1,582
Accrued payroll	10,240
Unearned revenue	<u>129,164</u>
<b>Total liabilities</b>	<u>140,986</u>
<b>FUND BALANCE</b>	
Non-spendable - prepaid	19,464
Committed - capital expenditures	583,278
Assigned for future budget deficit	<u>89,549</u>
<b>Total fund balance</b>	<u>692,291</u>
<b>Total liabilities and fund balance</b>	<u><u>\$ 833,277</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, 2021**

<b>Total fund balance per balance sheet</b>	\$ 692,291
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	
Historical cost	\$ 33,239
Depreciation	<u>(30,865)</u>
<b>Capital assets net of depreciation</b>	<u>2,374</u>
<b>Net position of governmental activities</b>	<u><u>\$ 694,665</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, 2021**

	<b>General Fund</b>
<b>REVENUES</b>	
Member municipality contributions	\$ 48,370
Charges for services	134,296
Other charges for services	6,492
Donations	12,480
Interest income	4,366
Other	14,405
<b>Total revenues</b>	<b>220,409</b>
<b>EXPENDITURES</b>	
Salaries	135,479
Payroll taxes	10,370
Employee benefits	21,117
Insurance	5,072
Lease expense	336
Recreation/program supplies	9,279
Education and training	399
Operating expense	10,342
Contract services - instructors	38,906
Dues and subscriptions	2,120
Rent - facilities	68,200
Office supplies	2,954
Community promotions	1,207
Bank charges	7,162
Postage	3,831
Professional services	11,100
Printing and publishing	3,751
Sponsorship	1,507
Telephone	7,048
Computer expenditures	12,558
Mileage expense	912
GRASP expense	1,086
<b>Total expenditures</b>	<b>354,736</b>
<b>Net change in fund balance</b>	<b>(134,327)</b>
<b>FUND BALANCE, JULY 1, 2020</b>	<b>826,618</b>
<b>FUND BALANCE, JUNE 30, 2021</b>	<b>\$ 692,291</b>

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, 2021**

**Net change in fund balance - governmental funds** \$ (134,327)

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	<u>\$ (1,356)</u>	
Total:		<u>(1,356)</u>

**Change in net position of governmental activities** \$ (135,683)

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, 2021**

#### **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, 2021**

**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, 2021**

**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 under budget by \$19,751.

**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, 2021**

**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, 2021**

**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, 2021, 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, 2021.

**SOUTH LYON AREA RECREATION AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE 3 - CAPITAL ASSETS**

Capital asset activity for the Authority's governmental funds for the year ended June 30, 2021 was as follows:

<b><u>Governmental Activities</u></b>	<b><u>Balance 7/1/2020</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Balance 6/30/2021</u></b>
<b>Capital assets being depreciated:</b>				
Office equipment and furniture	\$ 32,745		\$ (2,071)	\$ 30,674
Athletic equipment	2,565			2,565
	<u>35,310</u>		<u>(2,071)</u>	<u>33,239</u>
<b>Accumulated depreciation:</b>				
Office equipment and furniture	(29,015)	(1,356)	2,071	(28,300)
Athletic equipment	(2,565)			(2,565)
	<u>(31,580)</u>	<u>(1,356)</u>	<u>2,071</u>	<u>(30,865)</u>
<b>Net capital assets, governmental activities</b>	<b><u>\$ 3,730</u></b>	<b><u>\$ (1,356)</u></b>	<b><u>\$</u></b>	<b><u>\$ 2,374</u></b>

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, 2021**

**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, 2021 cash and investments consist of the following:

	<b>Total</b>	<b>Cash</b>	<b>Investments</b>
<b>Deposits with financial institution</b>			
Checking accounts	\$ 245,876	\$ 245,876	\$
Savings accounts	183,006	183,006	
<b>Total deposits</b>	428,882	428,882	
<b>Investments</b>			
External investment pool	400,144		400,144
<b>Total deposits and investments</b>	<b>\$ 829,026</b>	<b>\$ 428,882</b>	<b>\$ 400,144</b>

The carrying amount of cash and investments is stated at \$813,684 for the Authority as of June 30, 2021. 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, 2021, deposits in banks totaled \$829,026 which was exposed to custodial credit risk as follows:

Insured by FDIC	\$ 678,882
Uninsured and uncollateralized	150,144
<b>Total deposits</b>	<b>\$ 829,026</b>

**SOUTH LYON AREA RECREATION AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**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 \$9,287, during the year ended June 30, 2021. 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)	\$ 23,048
Charter Township of Green Oak (related party)	5,659
Lyon Township (related party)	19,663
Private donations	<u>12,480</u>
Total	<u><u>\$ 60,850</u></u>

**NOTE 7 - RENT/RELATED PARTIES**

The Authority leases its office space at 23333 Griswold Road from Griswold Duncan Properties LLC. Per the lease agreement the Authority is to pay \$5,172 per month from June 1, 2020 to June 30, 2021. Total lease expense for the year ended June 30, 2021 was \$62,070.

The Authority also rents recreation facilities from South Lyon Community Education. There is no official terms for this lease, but 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 lease to change within the next fiscal year.

## **SOUTH LYON AREA RECREATION AUTHORITY**

### **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021**

#### **NOTE 8 - COVID 19**

In March 2020, the governor of Michigan took measures to contain the spread of the COVID-19 virus, including travel bans, quarantines, social distancing, and closures of non-essential services. This has triggered significant disruptions to the economy. The Authority has taken steps to reduce the negative effect on its financial position by taking cost reduction measures. As a result, the Authority had a decrease in overall expenses at June 30, 2021. The Authority continues to carefully monitor the situation.

#### **NOTE 9 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 27, 2021, the date the financial statements were available to be issued.

Management has determined the ongoing COVID-19 events mentioned in Note 8 are non-adjusting subsequent events. Accordingly, the financial position and statement of activities as of and for the year ended June 30, 2021, 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, as well as their impact on the financial position and statement of activities of the Authority for future periods.

#### **NOTE 10 - UPCOMING GASB PRONOUNCEMENTS**

##### **GASB 87 - LEASES**

The Governmental Accounting Standards Board (GASB) issued GASB Standard No. 87, Leases to improve the accounting and financial reporting of leases by governments. 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 provisions of the contract. This Standard will require a lessee to recognize a lease liability and right-to-use lease asset and a lessor to recognize a lease receivable and a deferred inflow of resources.

The Authority is currently assessing the impact that this Standard will have on the Authority's financial statements, which will be required to be implemented for the statements for the year ended June 30, 2022.

##### **OTHER GASB STANDARDS**

In addition to the above Standards, GASB has issued Standards No. 88, 89, 90, 91, 92, 93, and 94. The Authority has considered these Standards and determined that they will not have any material impact on the Authority's financial statements.

**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, 2021**

	<u>Budget Amount</u>		<u>Actual</u>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<u>Original</u>	<u>Final</u>		<u>(Unfavorable)</u>
<b>REVENUES</b>				
Member municipality contributions	\$ 48,370	\$ 48,370	\$ 48,370	\$
Charges for services	470,585	134,200	134,296	96
Other charges for services	10,290	6,100	6,492	392
Donations	7,500	12,400	12,480	80
Interest income	8,500	7,976	4,366	(3,610)
Other	3,225	18,164	14,405	(3,759)
<b>Total revenues</b>	<u>548,470</u>	<u>227,210</u>	<u>220,409</u>	<u>(6,801)</u>
<b>EXPENDITURES</b>				
Salaries	287,949	143,560	135,479	8,081
Payroll taxes	32,028	10,982	10,370	612
Employee benefits	35,186	22,000	21,117	883
Insurance	8,000	5,072	5,072	
Lease expense	1,125	500	336	164
Recreation/program supplies	37,626	13,900	9,279	4,621
Education and training	5,775	400	399	1
Operating expenses	6,512	10,000	10,342	(342)
Contract services - instructors	121,800	36,000	38,906	(2,906)
Dues and subscriptions	3,600	3,000	2,120	880
Rent - facilities	88,050	70,273	68,200	2,073
Small equipment	1,000	500	0	500
Office supplies	3,000	3,000	2,954	46
Community promotions	3,000	1,400	1,207	193
Bank charges	12,750	8,000	7,162	838
Postage	5,000	4,200	3,831	369
Professional services	15,290	11,200	11,100	100
Printing and publishing	8,000	3,800	3,751	49
Sponsorship	4,000	3,000	1,507	1,493
Telephone	7,396	7,600	7,048	552
Miscellaneous expense	500	500		500
Computer expenditures	17,700	13,500	12,558	942
Mileage expense	3,000	1,000	912	88
GRASP expense	2,000	1,100	1,086	14
<b>Total expenditures</b>	<u>710,287</u>	<u>374,487</u>	<u>354,736</u>	<u>19,751</u>
<b>Net change in fund balance</b>	(161,817)	(147,277)	(134,327)	12,950
<b>FUND BALANCE, JULY 1, 2020</b>	<u>826,618</u>	<u>826,618</u>	<u>826,618</u>	
<b>FUND BALANCE, JUNE 30, 2021</b>	<u>\$ 664,801</u>	<u>\$ 679,341</u>	<u>\$ 692,291</u>	<u>\$ 12,950</u>

**SUPPLEMENTARY INFORMATION**



## **COMBINING FINANCIAL STATEMENTS**

**SOUTH LYON AREA RECREATION AUTHORITY**  
**COMBINING BALANCE SHEETS**  
**FUNDS INCLUDED IN GASB 54 CONSOLIDATION**  
**JUNE 30, 2021**

	<b>General Fund Pre GASB 54 Consolidation</b>	<b>Capital Fund</b>	<b>Totals Restated General Fund</b>
<b>ASSETS</b>			
Cash and investments	\$ 230,535	\$ 583,149	\$ 813,684
Interest receivable		129	129
Prepaid expenses	19,464		19,464
<b>Total assets</b>	<b>\$ 249,999</b>	<b>\$ 583,278</b>	<b>\$ 833,277</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 1,582	\$	\$ 1,582
Accrued payroll	10,240		10,240
Unearned revenue	129,164		129,164
<b>Total liabilities</b>	<b>140,986</b>		<b>140,986</b>
<b>FUND BALANCE</b>			
Non-spendable	19,464		19,464
Committed			
Capital improvement		583,278	583,278
Assigned for future budget deficit	89,549		89,549
Unassigned			
<b>Total fund balance</b>	<b>109,013</b>	<b>583,278</b>	<b>692,291</b>
<b>Total liabilities and fund balance</b>	<b>\$ 249,999</b>	<b>\$ 583,278</b>	<b>\$ 833,277</b>

**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, 2021**

	General Fund		Totals
	Pre GASB 54 Consolidation	Capital Fund	Restated General Fund
<b>REVENUES</b>			
Member municipality contributions	\$ 48,370	\$	\$ 48,370
Charges for services	134,296		134,296
Other charges for services	6,492		6,492
Donations	12,480		12,480
Interest income		4,366	4,366
Other	14,405		14,405
<b>Total revenues</b>	<b>216,043</b>	<b>4,366</b>	<b>220,409</b>
<b>EXPENDITURES</b>			
Salaries	135,479		135,479
Payroll taxes	10,370		10,370
Employee benefits	21,117		21,117
Insurance	5,072		5,072
Lease expense	336		336
Recreation/program supplies	9,279		9,279
Education and training	399		399
Operating expenses	10,342		10,342
Contract services - instructors	38,906		38,906
Dues and subscriptions	2,120		2,120
Rent - facilities	68,200		68,200
Office supplies	2,954		2,954
Community promotions	1,207		1,207
Bank charges	7,162		7,162
Postage	3,831		3,831
Professional services	11,100		11,100
Printing and publishing	3,751		3,751
Sponsorship	1,507		1,507
Telephone	7,048		7,048
Computer expenditures	12,558		12,558
Mileage expense	912		912
GRASP expense	1,086		1,086
<b>Total expenditures</b>	<b>354,736</b>		<b>354,736</b>
<b>Net change in fund balance</b>	<b>(138,693)</b>	<b>4,366</b>	<b>(134,327)</b>
<b>FUND BALANCE, JULY 1, 2020</b>	<b>247,706</b>	<b>578,912</b>	<b>826,618</b>
<b>FUND BALANCE, JUNE 30, 2021</b>	<b>\$ 109,013</b>	<b>\$ 583,278</b>	<b>\$ 692,291</b>

**INDIVIDUAL FUNDS**

**GENERAL FUND (PRE GASB 54 RESTATEMENT)**

**SOUTH LYON AREA RECREATION AUTHORITY**

**GENERAL FUND (PRE GASB 54 RESTATEMENT)  
BALANCE SHEET  
JUNE 30, 2021**

**ASSETS**

Cash and investments	\$ 230,535
Prepaid expenses	<u>19,464</u>
<b>Total assets</b>	<b><u><u>\$ 249,999</u></u></b>

**LIABILITIES**

Accounts payable	\$ 1,582
Accrued payroll	10,240
Unearned revenue	<u>129,164</u>
<b>Total liabilities</b>	<b>\$ 140,986</b>

**FUND BALANCE**

	<u>109,013</u>
<b>Total liabilities and fund balance</b>	<b><u><u>\$ 249,999</u></u></b>

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.

**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, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Member municipality contributions	\$ 48,370	\$ 48,370	\$
Charges for services	134,200	134,296	96
Other charges for services	6,100	6,492	392
Donations	12,400	12,480	80
Other	18,164	14,405	(3,759)
<b>Total revenues</b>	<u>219,234</u>	<u>216,043</u>	<u>(3,191)</u>
<b>EXPENDITURES</b>			
Salaries	143,560	135,479	8,081
Payroll taxes	10,982	10,370	612
Employee benefits	22,000	21,117	883
Insurance	5,072	5,072	
Lease expense	500	336	164
Recreation/program supplies	13,900	9,279	4,621
Education and training	400	399	1
Operating expense	10,000	10,342	(342)
Contract services - instructors	36,000	38,906	(2,906)
Dues and subscriptions	3,000	2,120	880
Rent - facilities	70,273	68,200	2,073
Small equipment	500		500
Office supplies	3,000	2,954	46
Community promotions	1,400	1,207	193
Bank charges	8,000	7,162	838
Postage	4,200	3,831	369
Professional services	11,200	11,100	100
Printing and publishing	3,800	3,751	49
Sponsorship	3,000	1,507	1,493
Telephone	7,600	7,048	552
Miscellaneous expense	500		500
Computer expenditures	13,500	12,558	942
Mileage expense	1,000	912	88
GRASP expense	1,100	1,086	14
<b>Total expenditures</b>	<u>374,487</u>	<u>354,736</u>	<u>19,751</u>
<b>Net changes in fund balance</b>	<u>(155,253)</u>	<u>(138,693)</u>	<u>16,560</u>
<b>FUND BALANCE, JULY 1, 2020</b>	<u>247,706</u>	<u>247,706</u>	
<b>FUND BALANCE, JUNE 30, 2021</b>	<u>\$ 92,453</u>	<u>\$ 109,013</u>	<u>\$ 16,560</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, 2021**

**ASSETS**

Cash and investments	\$ 583,149
Interest receivable	<u>129</u>

<b>Total assets</b>	<b><u>\$ 583,278</u></b>
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<b>FUND BALANCE</b>	<b><u>\$ 583,278</u></b>
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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, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Interest income	\$ 7,976	4,366	\$ (3,610)
<b>Net changes in fund balance</b>	7,976	4,366	(3,610)
<b>FUND BALANCE, JULY 1, 2020</b>	<u>578,912</u>	<u>578,912</u>	
<b>FUND BALANCE, JUNE 30, 2021</b>	<u>\$ 586,888</u>	<u>\$ 583,278</u>	<u>\$ (3,610)</u>

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.