IRON ORE HERITAGE RECREATION AUTHORITY
OF THE COUNTY OF MARQUETTE, MICHIGAN

AUDITED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Iron Ore Heritage Recreation Authority
P.O. Box 763
Marquette, Michigan 49855

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Iron Ore Heritage Recreation Authority (the Authority), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Authority, as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

Responsibilities of Management for the Financial Statements

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

To the Board of Directors of the
Iron Ore Heritage Recreation Authority

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 Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards,* we:

- Exercise professional judgement 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.

To the Board of Directors of the
Iron Ore Heritage Recreation Authority

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, as listed in the table of contents, 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 Other Financial Information, as listed in the table of contents, is presented for purposes of additional analysis and is 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 Other Financial Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Anderson, Tackman & Company, PLC
Certified Public Accountants

April 30, 2022

IRON ORE HERITAGE RECREATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Iron Ore Heritage Recreation Authority's (the Authority) financial performance provides an overview of the Authority's financial activities for the year ended December 31, 2021. Please read it in conjunction with the financial statements, as listed in the table of contents.

FINANCIAL HIGHLIGHTS

- Net position for the Authority as a whole was reported at $3,208,578. Net position is comprised of 100% governmental activities.

- During the year, the Authority's total expenses were $331,786 while revenues from all sources totaled $535,811 resulting in an increase in net position of $204,025.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (as listed in the table of contents) provide information about the activities of the Authority as a whole and present a longer-term view of the Authority finances.

Reporting the Iron Ore Heritage Recreation Authority as a Whole

One of the most important questions asked about the authority's finances is "Is the Iron Ore Heritage Recreation Authority as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Iron Ore Heritage Recreation Authority as a whole and about its activities in a way that helps answer this question. These statements include *all* assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Authority' *net position* and changes in them. You can think of the Authority's net position - the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources - as one way to measure the Authority's financial health, or *financial position.* Over time, *increases or decreases* in the Authority's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Authority's operating base and the condition of the Authority's capital assets, to assess the *overall financial health* of the Iron Ore Heritage Recreation Authority.

In the Statement of Net Position and the Statement of Activities, we report all of the Authority's activities as governmental activities because the Authority's receives property taxes to cover the cost of services it provides.

Table 1 provides a summary of the Authority's net position as of December 31, 2021 and 2020:

Table 1
Net Position

	2021	2020
Current and other assets	$839,322	$765,553
Capital assets, net	2,735,802	2,606,038
Total Assets	3,575,124	3,371,591
Deferred outflows of resources	-	-
Current liabilities	8,809	19,364
Non-current liabilities	-	-
Total Liabilities	8,809	19,364
Deferred inflows of resources	357,737	347,674
Net Position:		
Net investment in capital assets	2,735,802	2,606,038
Restricted	-	-
Unrestricted	472,776	398,515
Total Net Position	$3,208,578	$3,004,553

Net position of the Authority governmental activities stood at $3,208,578. Unrestricted net position—the part of net position that could be used to finance day-to-day activities-stood at $472,776.

The $472,776 in unrestricted net position represents the accumulated results of all past years' operations. The results of this year's operations for the Authority as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net position for fiscal years 2021 and 2020.

Table 2
Changes in Net Position

	2021	2020
Operating Revenues:		
Program revenues	$198,621	$273,386
General revenues	337,190	397,038
Total Revenues	535,811	670,424
Operating Expenses:		
Recreation and culture	331,786	782,212
Total Expenditures	331,786	782,212
Increase (decrease) in net position	204,025	(111,788)
Net Position, beginning	3,004,553	3,116,341
Net Position, Ending	$3,208,578	$3,004,553

The Authority's total revenues were $535,811. The total cost of all programs and services was $331,786, leaving an increase in net position of $204,025 because of fiscal year 2021 operations.

The net increase for the current year of $204,025 is the result of a decrease in capital outlay expenses as the weather shelter and fishing pier projects were completed in the current year.

THE AUTHORITY'S FUNDS

As the Authority completed the year, the General Fund had a fund balance of $472,776, an increase of $74,261 from the beginning of the year.

General Fund Budgetary Highlights

The Authority amends the General Fund budget throughout the year based on actual revenue and expenditures. The original budget was adopted in November of 2020 and had revenues exceeding expenditures by $21,064. As the Authority utilizes various State and local grants the General Fund budget is amended to adjust the revenues and expenditures associated with the granting activity. The final amended budget had revenues exceeding expenditures by $65,633.

The General Fund had an actual change in fund balance of $74,261, which is $8,628 more than the budgeted increase of $65,633. Expenditures were $6,045 less than the final budget mainly due to a decrease in capital outlay expenses. Revenues were $2,583 more than the final budget as property taxes and interest came in higher than budgeted amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal years 2021 and 2020, the Authority had $2,735,802, and $2,606,038 invested in a variety of capital assets, including land and construction in progress. (See Table 3 below)

Table 3
Capital Assets
(Net of accumulated depreciation)

	2021	2020
Land	$325,000	$325,000
Construction in progress	10,705	24,025
Infrastructure	2,400,097	2,257,013
Equipment	-	-
Total	$2,735,802	$2,606,038

The Authority began construction of the Iron Ore Heritage Trail in 2010. During fiscal year 2021, the weather shelter and fishing pier projects were completed along with the pavilion project. The Negaunee Township Trailhead project was started in the current year and is classified as construction in progress. The Authority disposed of no fixed assets during the fiscal year.

Further details on capital assets can be found in the notes to the financial statements.

Debt

The Authority had no outstanding debt at year-end.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the budget for the year ending December 31, 2022, the Authority considered new projects to be completed. Plans include completing existing Trail Amenities Projects and various other trail improvements. Costs for construction projects will come from local sources, the Michigan Natural Resources Trust Fund Grant, and property tax revenue.

CONTACTING THE IRON ORE HERITAGE RECREATION AUTHORITY FINANCIAL MANAGEMENT

This financial report is designated to provide our taxpayers, investors and creditors with a general overview of the Authority's finances and to show the Iron Ore Heritage Recreation Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Iron Ore Heritage Recreation Authority at:

Iron Ore Heritage Recreation Authority
102 W. Washington Street, Suite 232
Marquette, Michigan 49855

Iron Ore Heritage Recreation Authority

STATEMENT OF NET POSITION

December 31, 2021

	Primary Government Governmental Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	$ 605,688
Receivables, net	233,634
Non-current Assets:	
Capital Assets:	
Land and construction in progress	335,705
Other capital assets, net	2,400,097
TOTAL ASSETS	3,575,124
DEFERRED OUTFLOWS OF RESOURCES	-
LIABILITIES	
Current Liabilities:	
Accounts payable	-
Accrued liabilities	8,809
Non-current Liabilities:	
Portion due or payable within one year	
Notes payable	-
Portion due or payable after one year	
Notes payable	-
TOTAL LIABILITIES	8,809
DEFERRED INFLOWS OF RESOURCES	
Taxes levied for a subsequent period	357,737
TOTAL DEFERRED INFLOWS OF RESOURCES	357,737
NET POSITION	
Net investment in capital assets	2,735,802
Restricted	-
Unrestricted	472,776
TOTAL NET POSITION	$ 3,208,578

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

Iron Ore Heritage Recreation Authority

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2021

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
					Primary Government
Function / Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
Recreation and culture	$ 331,786	$ -	$ 198,621	$ -	$ (133,165)
Total Governmental Activities	331,786	-	198,621	-	(133,165)
TOTAL PRIMARY GOVERNMENT	$ 331,786	$ -	$ 198,621	$ -	(133,165)
		General Revenues:			
		Property taxes			329,960
		Local contributions			4,903
		Interest earned			2,312
		Miscellaneous			15
				TOTAL GENERAL REVENUES	337,190
				CHANGE IN NET POSITION	204,025
		Net position, beginning of year			3,004,553
				NET POSITION, END OF YEAR	$ 3,208,578

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

Iron Ore Heritage Recreation Authority

GOVERNMENTAL FUNDS

BALANCE SHEET

December 31, 2021

		General Fund
ASSETS		
Cash and cash equivalents	$	605,688
Accounts receivable		-
Taxes receivable		228,969
Grants receivable		4,665
Other receivables		-
TOTAL ASSETS		839,322
DEFERRED OUTFLOWS OF RESOURCES		-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$	839,322
LIABILITIES		
Accounts payable	$	-
Accrued payroll and related		8,809
TOTAL LIABILITIES		8,809
DEFERRED INFLOWS OF RESOURCES		
Taxes levied for a subsequent period		357,737
FUND BALANCE		
Non-spendable		-
Restricted		-
Committed		-
Assigned		-
Unassigned		472,776
TOTAL FUND BALANCE		472,776
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	$	839,322

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

Iron Ore Heritage Recreation Authority

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

December 31, 2021

Total Fund Balances for Governmental Funds		$ 472,776
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, net accumulated depreciation.		2,735,802
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.		
Current portion of note payable	$ -	
Note payable	-	-
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 3,208,578

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

Iron Ore Heritage Recreation Authority

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE

For the Year Ended December 31, 2021

	General Fund
REVENUES:	
Property taxes	$ 329,960
Federal sources	-
State sources	198,621
Local sources	4,903
Interest earned	2,312
Other	15
TOTAL REVENUES	535,811
EXPENDITURES:	
Current Operations:	
Recreation and culture	461,550
TOTAL EXPENDITURES	461,550
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	74,261
Fund balance, beginning of year	398,515
FUND BALANCE, END OF YEAR	$ 472,776

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

Iron Ore Heritage Recreation Authority

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2021

Net Change in Fund Balances - Total Governmental Funds		$ 74,261
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlays	$ 197,680	
Depreciation expense	(67,916)	
Gain (loss) on disposal	-	129,764
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	-	-
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 204,025

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Iron Ore Heritage Recreation Authority (the Authority) have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the Authority are described below.

REPORTING ENTITY

The Authority of the County of Marquette, Michigan was created under the provisions of Act No. 321, Public Acts of 2000 (the “Recreational Authorities Act”) MCL 123.1131 in May of 2007 as a multi-jurisdictional special purpose type government. The three cities and five townships of the County of Marquette, Michigan entered into this agreement governing the composition and appointment of members of the governing body of the Authority. This area was established as the Iron Ore Heritage Recreation Authority by the City of Marquette, City of Negaunee, City of Ishpeming, Township of Chocolay, Township of Marquette, Township of Tilden, Township of Negaunee, and the Township of Republic encompasses the corporate boundaries of the City of Marquette, City of Negaunee, City of Ishpeming, Township of Chocolay, Township of Marquette, Township of Tilden, Township of Negaunee, and the Township of Republic.

The Authority’s Board consists of nine members with one appointed by each of the three cities and five townships and one appointed by the County of Marquette, Michigan comprising the Board of Directors. The Authority’s Board of Directors are given the powers to maintain and operate the Authority. The Authority’s operations are financed substantially through a tax millage and various grants available through the State of Michigan. The Authority’s purpose is to establish, implement and maintain a 47 mile, multi-use year-round trail known as the Iron Ore Heritage Trail – an entity to connect many small communities, provide education to local citizens and promote healthy lifestyles and community living.

BASIC FINANCIAL STATEMENTS – GOVERNMENT–WIDE FINANCIAL STATEMENTS

The Authority’s basic financial statements include both government-wide (reporting the Iron Ore Heritage Recreation Authority as a whole) and fund financial statements (reporting the Iron Ore Heritage Recreation Authority’s major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Iron Ore Heritage Recreation Authority’s operations are classified as governmental activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Authority’s net position are reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The Authority first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Authority's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

The government-wide focus is more on the sustainability of the Authority as an entity and the change in the Authority's net position resulting from the current year's activities. For the most part, the effect of interfund activities has been removed from these statements.

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the Authority are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Iron Ore Heritage Recreation Authority:

Governmental Funds
The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Authority:

- ***General Fund*** – General Fund is the general operating fund and, accordingly, it is used to account for all financial resources relating to the operation of the Authority.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The Iron Ore Heritage Recreation Authority reports the following major governmental funds:

- ***General Fund*** – General Fund is the general operating fund and, accordingly, it is used to account for all financial resources relating to the operation of the Iron Ore Heritage Recreation Authority.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual
Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

All enterprise funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Modified Accrual
The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. “Available” means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

FINANCIAL STATEMENT AMOUNTS

Budgets and Budgetary Accounting – The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

a. The Authority Administrator submits to the Authority Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

b. Numerous opportunities exist for public comment during the budget process including at least one formal public hearing conducted at the Country Inn and Suites of Marquette, Michigan to obtain taxpayer comment.

c. Pursuant to statute, prior to December 31 of each year the budget for the ensuing year is legally enacted through adoption of an Annual General Appropriations Act.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d. The general statute governing Authority budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of the said Act and Board policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Authority Board of Directors, through policy action, specifically directs the Administrator not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.

Supplemental appropriations are submitted to and reviewed by the Administrator and submitted to the Authority Board of Directors for their review and approval. If approved, they are implemented by the Administrator through a budget revision.

e. The Authority adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary controls exist at the most detailed level adopted by the Board of Directors, i.e. department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e. classification control, resides at the line item detail level.

f. Budgets for the General Fund were adopted in substance on an accrual basis which is consistent with generally accepted accounting principles. Budgeted amounts as reported in the Financial Report are as originally adopted and/or amended by the Authority Board of Directors.

Cash Equivalents and Investments – For the purposes of balance sheet classification and the statement of cash flows, cash and equivalents consist of demand deposits, cash in savings, money market accounts and short-term certificates of deposit with original maturity of three months or less. Investments are carried at fair value. The fair value measurements of investments is based on the hierarchy established by generally accepted accounting principles, which has three levels based on the valuation inputs used to measure an asset's fair value.

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Authority has assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of five years.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net position. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Infrastructure	30 – 40 years
Equipment	5 – 10 years

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

***Deferred Outflows of Resources* –** In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority does not have any items that qualify for reporting in this category.

Long-Term Liabilities – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net position. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

Property Taxes – Property taxes are levied as of July 1 and December 1 of each year and are due by the last day of the following February. The taxes are collected by the local unit and periodically remitted to the third parties during the collection period.

Compensated Absences –The Authority does not have any compensated absences.

Deferred Inflows of Resources – In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority reports the following in this category:

> In the government-wide and governmental fund financial statements property taxes levied during the year that were recognized as an inflow of resources in the period that the amount becomes available.

Subsequent Events – Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through April 30, 2022, the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

NOTE B – DEPOSITS AND INVESTMENTS:

<u>Cash and Cash Equivalents</u>

The following is a reconciliation of cash and investments for both the unrestricted and restricted assets for the primary government from the Statement of Net Position:

Unrestricted – Cash and cash equivalents	$605,688
TOTAL	$605,688

NOTE B – DEPOSITS AND INVESTMENTS (Continued):

Custodial Credit Risk – Deposits
Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. State law does not require and the Authority does not have a deposit policy for custodial credit risk. The carrying amounts of the primary government deposits with financial institutions were $605,688 and the bank balance was $614,693.

The bank balance is categorized as follows:

Amount insured by the FDIC:		$614,693
Uncollateralized and uninsured:		-
	TOTAL	$614,693

Investments

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of December 31, 2021, the Authority had no investments.

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Authority's investments. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk
Michigan statutes (Act 196, PA 1997) authorize the Authority to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The Authority has no investment policy that would further limit its investment choices. The Authority's investments are rated as noted above. Ratings are not required for the Authority's investment in equity-type funds. The Authority's investments are in accordance with statutory authority.

Concentration of Credit Risk
The Authority places no limit on the amount the Authority may invest in any one issuer.

NOTE C – ACCOUNTS RECEIVABLE AND TAXES RECEIVABLE:

Receivables as of the year-end are as follows:

Type	Total
Property taxes – current	$228,969
Grants	4,665
Other	-
Total	$233,634

NOTE D – CAPITAL ASSETS:

A summary of the capital assets of the Governmental Activities is as follows:

	Balance January 1, 2021	Additions	Disposals	Balance December 31, 2021
GOVERNMENTAL ACTIVITIES:				
Assets Not Being Depreciated:				
Land	$325,000	$-	$-	$325,000
Construction in progress	24,025	10,705	(24,025)	10,705
Total Assets Not Being Depreciated	349,025	10,705	(24,025)	335,705
Assets Being Depreciated:				
Infrastructure	2,683,884	211,000	-	2,894,884
Equipment	52,947	-	-	52,947
Total Assets Being Depreciated	2,736,831	211,000	-	2,947,831
Less Accumulated Depreciation:				
Infrastructure	(426,871)	(67,916)	-	(494,787)
Equipment	(52,947)	-	-	(52,947)
Total Accumulated Depreciation	(479,818)	(67,916)	-	(547,734)
Governmental Activities – Capital Assets, Net	$2,606,038	$153,789	($24,025)	$2,735,802

As of December 31, 2021, depreciation expense totaled $67,916.

The Authority started the Negaunee Township Trailhead Project in the current year. The costs incurred and classified as construction in progress as of December 31, 2021 are $10,705. The total cost of the project is estimated to be approximately $124,100 and is scheduled to be completed during fiscal year 2022.

NOTE E – LONG-TERM DEBT:

The following is a summary of long-term debt transactions of the Authority at December 31, 2021:

	Balance January 1, 2021	Additions	Deductions	Balance December 31, 2021	Due Within One Year
Governmental Activities:					
None	$-	$-	$-	$-	$-
TOTAL	$-	$-	$-	$-	$-

NOTE F – LEASES AND EASEMENTS:

The Authority has entered into various lease and easement agreements for land use throughout Marquette County for the Iron Ore Heritage Trail to either cross or occupy the properties. These agreements range from one year to perpetuity with lease costs ranging from $0 to $1 per year. All lease agreements have an automatic renewal. The maximum amount of lease payments per year is $3.

NOTE G – DEFERRED INFLOWS OF RESOURCES:

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. Deferred inflows of resources in the fund and government-wide financial statements on December 31, 2021, are comprised of tax revenues levied for a subsequent period of $357,737.

NOTE H – PROPERTY TAXES:

The Authority's property tax is levied on July 1st and December 1st on the taxable valuation of property (as defined by State statutes) located in the Authority's District as of the preceding December 31st.

Although the Authority's 2020 ad valorem tax is levied and collectible on July 1st and December 1st, 2020, it is the Authority's policy to recognize revenue from the current tax levy in the following year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60) days.

The 2020 taxable valuation of the Authority totaled $1,815,000,826 on which ad valorem taxes levied consisted of 0.1971 mills for the Local Government Unit operation purposes. These amounts are recognized in the financial statements as taxes levied for a subsequent period.

NOTE I – FUND BALANCES – GOVERNMENTAL FUNDS:

Fund balances of the governmental funds are classified as follows:

Non-spendable — amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted — amounts that can be spent only for specific purposes because of constitutional

provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

NOTE I – FUND BALANCES – GOVERNMENTAL FUNDS (Continued):

Committed — amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board of Directors is the highest level of decision-making authority for the Authority. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Directors.

Assigned — amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Authority's adopted policy, only the Administrator or the Board of Directors may assign amounts for specific purposes.

Unassigned — all other spendable amounts.

As of December 31, 2021, fund balances are composed of the following:

	General Fund
Non-spendable	$-
Restricted	-
Committed:	-
Assigned	-
Unassigned	472,776
Total fund balances	$472,776

The Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Administrator through amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

When expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Authority considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Authority considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Directors has provided otherwise in its commitment or assignment actions.

NOTE J – TAX ABATEMENTS:

For financial reporting purposes, GASB Statement No. 77, *Tax Abatement Disclosures*, defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. The Statement requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and about tax abatement agreements entered into by other governments that reduce the reporting government's tax revenues.

The Authority receives reduced property tax revenues as a result of Tax Increment Financing exemptions and Brownfield exemptions granted by the Cities and/or Townships within its district in accordance with State laws. These tax exemptions are intended to promote economic development and/or growth within the issuing government's jurisdiction.

NOTE J – TAX ABATEMENTS (Continued):

For purposes of disclosure under GASB 77, the Authority discloses tax abatements by issuing government and type greater than $1,000 in the aggregate. Information relevant to tax abatements within the Authority for the year ended December 31, 2021 are as follows:

Issuing Government	Type of Tax Abatement Agreement	Tax Abated	Gross Amount Abated in Fiscal Year
City of Marquette	TIFs	Property Taxes	$6,438
City of Marquette	Brownfields	Property Taxes	21,959
			$28,397

For the fiscal year ended December 31, 2021, there were no significant tax abatements made by the Authority.

NOTE K – SINGLE AUDIT:

The Authority's audited financial statements report a total of $0 in Federal expenditures. As this amount is less than the single audit threshold of $750,000, the Authority is not required to have a single audit in accordance with Uniform Guidance for the fiscal year ended December 31, 2021.

NOTE L – NEW GASB STANDARDS:

Management of the Authority has reviewed the following pronouncements released by the Governmental Accounting Standards Board (GASB) that are effective in the current fiscal year for applicability. Pronouncements deemed applicable to the Authority by management are described below in *Recently Issued and Adopted Accounting Pronouncements*; pronouncements not applicable are described in *Other Recently Issued Accounting Pronouncements*.

Recently Issued and Adopted Accounting Pronouncements
None.

Other Recently Issued Accounting Pronouncements
In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the end of a Construction Period*. GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that was previously accounted for in accordance with the requirements of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statement prepared using the economic resources measurement focus. This Statement was originally effective for periods beginning after December 15, 2019. However, under GASB 95, the effective date was postponed by one year, to periods beginning after December 15, 2020. The Authority does not have activities that meet the criteria for GASB 89; therefore, GASB 89 is not applicable to the Authority.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates.* GASB 93 will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR) – notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021,

NOTE L – NEW GASB STANDARDS (Continued):

prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing the fallback provisions related to the reference rate. In addition, in accordance with Statement No. 87, Leases, as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable. This Statement was originally effective for periods beginning after June 15, 2019. However, under GASB 95, the effective date was postponed by one year, to periods beginning after June 15, 2020. The Authority does not have agreements that meet the criteria for GASB 93; therefore, GASB 93 is not applicable to the Authority.

In October 2021, the GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. GASB 98 was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for the comprehensive financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. This statement is effective for periods ending after December 15, 2021. The Authority does not issue an Annual Comprehensive Financial Report; therefore, GASB 98 is not applicable to the Authority.

NOTE M – UPCOMING STANDARDS:

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the Authority in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the Authority.

<u>GASB 87: Leases</u>
Originally effective for fiscal years beginning after December 15, 2019; postponed by GASB 95 to fiscal years beginning after June 15, 2021 (Authority's fiscal year 2022)

This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

<u>GASB 91: Conduit Debt Obligations</u>
Originally effective for fiscal years beginning after December 15, 2020; postponed by GASB 95 to fiscal years beginning after December 15, 2021 (Authority's fiscal year 2022)

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for account and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

NOTE M – UPCOMING STANDARDS (Continued):

A conduit debt obligation is defined as a debt instrument having *all* of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

GASB 92: Omnibus 2020
Originally effective for fiscal years beginning after June 15, 2020; postponed by GASB 95 to fiscal years beginning after June 15, 2021 (Authority's fiscal year 2022)

This Statement enhances comparability of accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases,* and Implementation Guide No. 2019-3, *Leases,* for interim financial reports
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities,* to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments.

GASB 94: Public-Private and Public-Public Partnerships and Availability Payment Arrangements
Effective for fiscal years beginning after June 15, 2022 (Authority's fiscal year 2023)

The requirements of this Statement will improve financial reporting by establishing the definitions of public-private and public-public partnership arrangements (PPPs) and availability payment arrangements (APAs) and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs.

Under this Statement, a PPP is defined as an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial assets, such as infrastructure or other capital assts (the underlying PPP asset), for a period of time in an exchange or exchange-

NOTE M – UPCOMING STANDARDS (Continued):

like transaction. Under this Statement a PPP meets the definition of a service concession arrangement (SCA) if: (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

<u>GASB 95: Postponement of the Effective Dates of Certain Authoritative Guidance</u>
Effective for fiscal years beginning after June 15, 2018 until below GASBs implemented (beginning with the Authority's fiscal year 2019)

The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*

Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

<u>GASB 96: Subscription-Based Information Technology Arrangements</u>
Effective for fiscal years beginning after June 15, 2022 (Authority's fiscal year 2023)

The requirements of this Statement will improve financial reporting by establishing a definition for subscription-based information technology arrangements (SBITAs) for government end users (governments) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding

NOTE M – UPCOMING STANDARDS (Continued):

a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

<u>GASB 97: Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statement No. 14 and No. 84, and a Supersession of GASB Statement No. 32</u>
Effective for fiscal years beginning after June 15, 2021 (Authority's fiscal year 2022)

The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

This Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform.

This Statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, Fiduciary Activities, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, Financial Reporting for Pension Plans, or paragraph 3 of Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, respectively.

This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities.

NOTE N – SUBSEQUENT EVENTS:

The country is still in the midst of recovery from the COVID-19 pandemic. At the current time, we are still unable to quantify the long-term effects of the various recovery plans from the pandemic and what impact they may have on future financial statements. As a result, the Authority is continuing to evaluate all COVID-19 related issues as they progress.

REQUIRED SUPPLEMENTARY INFORMATION

Iron Ore Heritage Recreation Authority

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2021

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	$ 318,297	$ 327,818	$ 329,960	$ 2,142
Federal sources	-	-	-	-
State sources	270,032	198,955	198,621	(334)
Local sources	1,770	4,932	4,903	(29)
Interest earned	2,426	1,508	2,312	804
Other revenues	470	15	15	-
TOTAL REVENUES	592,995	533,228	535,811	2,583
EXPENDITURES:				
Recreation and culture	571,931	467,595	461,550	6,045
TOTAL EXPENDITURES	571,931	467,595	461,550	6,045
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	21,064	65,633	74,261	8,628
Fund balance, beginning of year	398,515	398,515	398,515	-
FUND BALANCE, END OF YEAR	$ 419,579	$ 464,148	$ 472,776	$ 8,628

OTHER FINANCIAL INFORMATION

Iron Ore Heritage Recreation Authority

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended December 31, 2021

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Property Taxes:			
Taxes	$ 327,818	$ 329,960	$ 2,142
Total Property Taxes	327,818	329,960	2,142
State Sources:			
State grants	198,955	198,621	(334)
Total State Sources	198,955	198,621	(334)
Local Sources:			
Contributions from local units	-	-	-
Contributions from others	4,932	4,903	(29)
Total Local Sources	4,932	4,903	(29)
Interest Earned:			
Interest	1,508	2,312	804
Total Interest Earned	1,508	2,312	804
Other Revenues:			
Reimbursements	-	-	-
Miscellaneous	15	15	-
Total Other Revenues	15	15	-
TOTAL REVENUES	533,228	535,811	2,583
EXPENDITURES:			
RECREATION AND CULTURE:			
Personnel services	78,372	78,500	(128)
Supplies	846	1,107	(261)
Other services and charges	18,529	20,673	(2,144)
Capital outlay	369,848	361,270	8,578
TOTAL RECREATION AND CULTURE	467,595	461,550	6,045
TOTAL EXPENDITURES	467,595	461,550	6,045
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	65,633	74,261	8,628
Fund balance, beginning of year	398,515	398,515	-
FUND BALANCE, END OF YEAR	$ 464,148	$ 472,776	$ 8,628

COMPLIANCE SECTION

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
102 W. Washington St. Suite 109 Marquette, MI 49855 (906) 225-1166 www.atcomqt.com

PARTNERS
Daniel E. Bianchi, CPA
Michael A. Grentz, CPA
William C. Sheltrow, CPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of the
Iron Ore Heritage Recreation Authority
P.O. Box 763
Marquette, Michigan 49855

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Iron Ore Heritage Recreation Authority (the Authority), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated April 30, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying Report to Management that we consider to be significant deficiencies listed as items 2021-001 and 2021-002.

To the Board of Directors of the
Iron Ore Heritage Recreation Authority

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying Corrective Action Plan. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Anderson, Tackman & Company, PLC
Certified Public Accountants

April 30, 2022

COMMUNICATIONS SECTION

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
102 W. Washington St. Suite 109 Marquette, MI 49855 (906) 225-1166 www.atcomqt.com

PARTNERS
Daniel E. Bianchi, CPA
Michael A. Grentz, CPA
William C. Sheltrow, CPA

Iron Ore Heritage Recreation Authority
Report to Management
For the Year Ended December 31, 2021

To the Board of Directors and Management of the
Iron Ore Heritage Recreation Authority
P.O. Box 763
Marquette, MI 49855

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Iron Ore Heritage Recreation Authority (the Authority) as of and for the year ended December 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in internal control to be significant deficiencies:

SIGNIFICANT DEFICIENCIES

2021-001 – FINANCIAL STATEMENTS AND FOOTNOTES PREPARATION (REPEAT)

Condition/Criteria: Statement on Auditing Standards #115 requires us to communicate in writing when a client requires assistance to prepare the financial statements and footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

Cause of Condition: The Authority does not have adequate staffing to prepare all the information included in the annual financial statements.

Effect: We assisted management with the external financial reporting responsibility to ensure their financial statements are in accordance with generally accepted accounting principles.

Recommendation: We do not recommend any changes to this situation at this time and communicate this as required by professional standards.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
  - Board of Directors
- Corrective Action Planned:
  - See separate Corrective Action Plan
- Anticipated Date of Completion:
  - Not applicable

2021-002 – SEGREGATION OF DUTIES (REPEAT)

Condition/Criteria: Internal controls rely on the principle of checks and balances and an individual should not have responsibility for more than one of the three transaction components: authorization, custody, and recordkeeping. The Administrator has responsibility for more than one of the three components of internal control.

Cause of Condition: The size of the organization's accounting staff precludes certain internal design controls that would be preferred if the office staff was large enough to provide optimum segregation of duties.

Effect: The lack of segregation of duties increases the chance that misstatements, whether caused by error or fraud, could occur and not be prevented or detected on a timely basis by employees in the course of performing their assigned duties.

Recommendation: Smaller organizations, due to limited resources, are generally more sensitive to the cost of implementing these design controls and often have compensating controls to partially mitigate this deficiency.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
  - Board of Directors
- Corrective Action Planned:
  - See separate Corrective Action Plan
- Anticipated Date of Completion:
  - Not applicable

To the Board of Directors and Management of the
Iron Ore Heritage Recreation Authority

The Authority's written response to the significant deficiencies identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the Authority, and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLC
Certified Public Accountants

April 30, 2022

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
102 W. Washington St. Suite 109 Marquette, MI 49855 (906) 225-1166 www.atcomqt.com

PARTNERS
Daniel E. Bianchi, CPA
Michael A. Grentz, CPA
William C. Sheltrow, CPA

Iron Ore Heritage Recreation Authority
Communication with Those Charged with Governance
For the Year Ended December 31, 2021

April 30, 2022

To the Board of Directors of the
Iron Ore Heritage Recreation Authority
P.O. Box 763
Marquette, MI 49855

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Iron Ore Heritage Authority (the Authority) for the year ended December 31, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 21, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in the footnotes to the financial statements. Newly adopted GASB standards are disclosed in the notes to the financial statements. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Authority's financial statements was:

> Management's estimate of the accumulated depreciation is based on historical costs and useful lives of the asset. Depreciation is calculated using the straight-line method. We evaluated the key factors and assumptions used to develop the current years depreciation expense and accumulated depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

> Management's estimate of the property taxes levied for a subsequent period is based on taxable values and millage rates. We evaluated the key factors and assumptions used to develop the current years property taxes levied for a subsequent period in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 30, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

To the Board of Directors of the
Iron Ore Heritage Recreation Authority

Our consideration of internal control was for the limited purpose described in a separate letter and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Report to Management that we consider to be significant deficiencies listed as item 2021-001 and 2021-002.

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Other Matters

We applied certain limited procedures to the required supplemental information, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Other Financial Information which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of Board of Directors and management of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Anderson, Tackman & Company, PLC
Certified Public Accountants

102 W. Washington Street, #232
Marquette, MI 49855
906-235-2923
ironoreheritage@gmail.com

Corrective Action Plan
For the Year Ended December 31, 2021

April 30, 2022

In response to the findings disclosed in the audited financial statements for the year ended December 31, 2021:

2021-001 ASSIST IN PREPARING FINANCIAL STATEMENTS AND FOOTNOTES (REPEAT)
Corrective Action Plan:
The Authority has evaluated the possibility of preparing the financial statements and has concluded that currently the Authority staff does not have sufficient time and/or personnel available to prepare the financial statements and footnotes. Management is involved with preparing the Management's Discussion and Analysis. Additionally, management reviews and approves the financial statements prepared by Anderson, Tackman & Company, PLC prior to issuance and submission to the Michigan Department of Treasury. We do not foresee the need for any changes to this procedure at this time.

2021-002 SEGREGATION OF DUTIES (REPEAT)
Corrective Action Plan:
The Authority is aware of this deficiency and believes smaller organizations, due to limited resources, are generally more sensitive to the cost of implementing these design controls and often have compensating controls to partially mitigate this deficiency. The Authority's Board of Directors closely monitors all payments and reviews the financial statements on a monthly basis. We do not foresee the need for any changes to this procedure at this time.