

RECREATIONAL AUTHORITY AUDITS

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House Bill 4408 as enacted

Public Act 128 of 2019

Sponsor: Rep. Aaron Miller

1st House Committee: Local Government and Municipal Finance

2nd House Committee: Ways and Means

Senate Committee: Local Government

Complete to 1-29-20

Analysis available at
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SUMMARY:

House Bill 4408 amends the Recreational Authorities Act to allow smaller, nontaxing authorities to obtain an audit of their finances every two years rather than annually.

Before passage of the bill, the act required the board of a recreational authority to obtain an audit annually. The bill allows for two different auditing intervals, depending on the yearly expenditures of the authority and whether it levies and collects a tax under the act, as follows:

- An authority that has \$100,000 or more in yearly expenditures or that levies and collects a tax under the act must have an audit annually.
- An authority that has less than \$100,000 in yearly expenditures and that does not levy or collect a tax must have an audit at least biennially (every two years). However, if an audit discloses a material deviation from generally accepted accounting practices or applicable rules and regulations of a state department or agency or discloses any fiscal irregularity, defalcation, misfeasance, nonfeasance, or malfeasance, the Department of Treasury can require an audit to be conducted in the following year.

MCL 123.1157

The bill took effect November 21, 2019.

BACKGROUND:

The Recreational Authorities Act allows two or more counties, cities, villages, townships, or school districts (or, in some cases, portions of those entities) to establish a recreational authority to acquire, build, operate, maintain, or improve one or more of the following:

- A public swimming pool.
- A public recreation center.
- A public auditorium.
- A public conference center.
- A public park, which the act defines as an area of land or water dedicated to recreational purposes, open or scenic space, or environmental, conservation, nature, or wildlife areas. As examples of recreational purposes, the act lists landscaped tracts; picnic grounds; playgrounds; athletic fields; camps and campgrounds; zoos;

botanical gardens; living historical farms; boating, hunting, fishing, and birding areas; swimming areas; and foot, bicycle, and bridle paths.

- A public museum.
- A public historic farm.

To establish an authority, the participating municipalities must prepare articles of incorporation meeting the requirements of the act that are then approved by their respective legislative bodies and filed with the Secretary of State. A recreational authority is governed by a board of directors.

An authority may charge fees for its services; may receive revenue as appropriated by the legislature or one or more of its participating municipalities; and may apply for and accept grants or contributions from the federal government or its agencies, the state, local governments, other public or private agencies, or individuals. An authority may borrow money and issue bonds or notes to finance the acquisition, construction, or improvement of a public swimming pool, recreation center, auditorium, conference center, or park. An authority also may levy a tax of up to one mill for up to 20 years to finance the acquisition, construction, operation, maintenance, or improvement of those facilities. The tax must be approved by a majority of the electors in each participating municipality.

BRIEF DISCUSSION:

The Recreational Authorities Act previously required the board of an authority to obtain an annual audit of the authority's finances. This requirement put a heavy burden on smaller recreational authorities that do not collect a tax under the act, to the point that some authorities reported spending most of their annual budget on the audit. Committee testimony indicated that the bill would affect at least two recreational authorities specifically: River Country Recreational Authority in St. Joseph County and the Sparta Recreational Authority in Kent County, both of which are small recreational authorities that do not collect a millage to fund their activities. There may be additional authorities to which the biennial audit requirement applies; a comprehensive list of Michigan recreational authorities was not available at the time of this writing.

FISCAL IMPACT:

House Bill 4408 would reduce audit costs for recreational authorities no longer required to conduct an annual audit of their finances. The cost reduction would be specific to the authority affected by the provisions of the bill and equal to the cost of the audit it no longer had to obtain.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.