

*Thornapple Area Parks and Recreation Commission
Barry County, Michigan*

FINANCIAL STATEMENTS

Year ended December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

Members of the Board
Thornapple Area Parks and Recreation Commission

We have audited the accompanying financial statements of the governmental activities and the major fund of the Thornapple Area Parks and Recreation Commission (the Commission), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, as listed in the contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Thornapple Area Parks and Recreation Commission, as of December 31, 2020, 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.

Other Matters

Required supplementary information

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

Siegfried Crandall P.C.

May 18, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Thornapple Area Parks and Recreation Commission's (the Commission) financial performance provides a narrative overview of the Commission's financial activities for the year ended December 31, 2020. Please read it in conjunction with the Commission's financial statements.

FINANCIAL HIGHLIGHTS

- The Commission's total net position increased by \$3,236 as a result of this year's activities.
- Of the total net position reported, \$27,332 is available to be used for future operating needs at the discretion of the Board, without constraints established by debt covenants, enabling legislation, or other legal requirements.
- The Operating Fund's unassigned fund balance at the end of the fiscal year was \$27,332, which represents 85 percent of the actual total Operating Fund expenditures for the current fiscal year.

Overview of the financial statements

The Commission's annual report is comprised of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include information that presents two different views of the Commission:

- The first column of the financial statements includes information on the Commission's Operating Fund under the modified accrual method of accounting. These fund financial statements focus on current financial resources and provide a more detailed view of the accountability of the Commission's sources and uses of funds.
- The adjustments column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method of accounting.
- The third column presents the Commission's operations on a full accrual basis, which provides both short-term and long-term financial information about the Commission's financial status. The government-wide statements report information about the Commission as a whole using accounting methods similar to those used by private-sector companies.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

A comparative analysis of the government-wide financial statements for 2020 and 2019 is also presented.

Government-wide financial statements

The Statement of Net Position reports all of the Commission's assets and liabilities, along with the difference between the two, which is identified as net position. Over time, increases or decreases in net position may serve as a useful indicator as to whether the Commission's financial position is improving or deteriorating. However, other factors must also be considered when evaluating the overall financial position, such as the condition of the Commission's capital assets.

The Statement of Activities shows how the Commission's net position changed during the fiscal year. All changes in net position are reported when the underlying events giving rise to the changes occur, regardless of the timing of related cash flows. This statement should help the reader to answer the question: Is the Commission better or worse off as a result of this year's activities?

FINANCIAL ANALYSIS OF THE COMMISSION AS A WHOLE

Net position

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. In the Commission's case, assets exceeded liabilities at the end of the year by \$28,872.

*Condensed financial information
 Net position*

	<u>2020</u>	<u>2019</u>
Current assets	\$ 27,332	\$ 28,060
Capital assets	<u>1,540</u>	<u>2,310</u>
Total assets	28,872	30,370
Current liabilities	<u>-</u>	<u>3,727</u>
Net position:		
Investment in capital assets	1,540	2,310
Unrestricted	<u>27,332</u>	<u>24,333</u>
Total net position	<u>\$ 28,872</u>	<u>\$ 26,643</u>

Changes in net position

The Commission experienced an increase in net position of \$3,236 during 2020 compared to a \$1,603 decrease in the prior fiscal year. Net position increased in the current year as expenses decreased by \$40,518 and revenues fell by \$35,679 because programs were cancelled due to COVID-19 concerns.

*Condensed financial information
 Changes in net position*

	<u>2020</u>	<u>2019</u>
Program revenues:		
Charges for services	\$ 3,946	\$ 40,623
Operating grants and contributions	32,401	31,401
General revenue - interest	<u>-</u>	<u>2</u>
Total revenues	36,347	72,026
Expenses - recreation programs	<u>33,111</u>	<u>73,629</u>
Changes in net position	<u>\$ 3,236</u>	<u>\$ (1,603)</u>
Net position, end of year	<u>\$ 28,872</u>	<u>\$ 25,636</u>

The Commission's total revenues were \$36,347 in the current year compared to \$72,026 in the prior fiscal year. Recreation fees represent 11 percent of total revenues in the current year. Contributions from constituent municipalities, in the amount of \$14,233, represent 39 percent of revenues, and a grant from the United Way, in the amount of \$10,022, represents 28 percent of total revenues in the current year. Revenues decreased in 2020 due to a \$36,677 decrease in charges for services as multiple programs were cancelled due to COVID-19.

The total cost of the Commission's operations amounted to \$33,111 in the current year compared to \$73,629 in the prior year. Expenses were lower in 2020, as there were no costs incurred related to the canceled programs.

FINANCIAL ANALYSIS OF THE COMMISSION'S FUND

The Commission's only fund is its Operating Fund. The Operating Fund uses the modified accrual basis of accounting, which provides a short-term perspective that measures the flow of financial resources. At the end of the fiscal year, the fund balance was \$27,332. The fund balance increased by \$4,006 in the current fiscal period, as contributions and charges for services were sufficient to cover expenditures.

Operating Fund budgetary highlights

The Board amended the budget during the current period to reflect the cancellation of recreational programs.

Revenues were \$157 higher than budgeted. Total expenditures were \$4,319 less than the amounts appropriated.

These variances resulted in a \$4,476 positive budget variance, with a \$4,006 increase in fund balance compared to a budget that anticipated a \$470 reduction in fund balance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The Commission's investment in capital assets for its governmental activities at December 31, 2020, amounts to \$1,540 (net of accumulated depreciation). There were no capital asset additions during the current year and depreciation expense amounted to \$770.

More detailed information about the Commission's capital assets is presented in Note 4 of the notes to the basic financial statements.

Debt

The Commission had no debt at the beginning or end of the current year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Commission anticipates that revenues will increase in the next year as the commission hopes to resume as many programs as they can safely operate.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Commission's finances to its customers and creditors and to demonstrate the Commission's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Emily Dock, Director
Thornapple Area Parks and Recreation Commission
200 East Main Street, P.O. Box 459
Middleville, MI 49333

Phone: (269) 795-7202

BASIC FINANCIAL STATEMENTS

Thornapple Area Parks and Recreation Commission
BALANCE SHEET AND STATEMENT OF NET POSITION
 December 31, 2020

	<u>Operating Fund</u>	<u>Adjustments</u>	<u>Statement of net position</u>
ASSETS			
Current assets:			
Cash	\$ 24,825	\$ -	\$ 24,825
Receivables	<u>2,507</u>	<u>-</u>	<u>2,507</u>
Total current assets	<u>27,332</u>	<u>-</u>	<u>27,332</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	<u>-</u>	<u>1,540</u>	<u>1,540</u>
Total assets	<u>\$ 27,332</u>	<u>\$ 1,540</u>	<u>\$ 28,872</u>
FUND BALANCE			
Unassigned	<u>27,332</u>	<u>(27,332)</u>	
Total fund balance	<u>27,332</u>	<u>(27,332)</u>	
Total liabilities and fund balance	<u>\$ 27,332</u>		
NET POSITION			
Investment in capital assets		1,540	1,540
Unrestricted		<u>27,332</u>	<u>27,332</u>
Total net position		<u>\$ 28,872</u>	<u>\$ 28,872</u>
Total fund balance			\$ 27,332
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:			
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.			
			<u>1,540</u>
Total net position			<u>\$ 28,872</u>

See notes to financial statements

Thornapple Area Parks and Recreation Commission

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
AND STATEMENT OF ACTIVITIES**

Year ended December 31, 2020

	<u>Operating Fund</u>	<u>Adjustments</u>	<u>Statement of activities</u>
EXPENDITURES/EXPENSES			
Current:			
Recreation and culture	\$ 32,341	\$ 770	\$ 33,111
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>32,341</u>	<u>770</u>	<u>33,111</u>
PROGRAM REVENUES			
Charges for services - recreation fees	<u>3,946</u>	<u>-</u>	<u>3,946</u>
Operating grants and contributions:			
Local units	14,233	-	14,233
United Way	10,022	-	10,022
Sponsors, donors, and other	<u>8,146</u>	<u>-</u>	<u>8,146</u>
Total operating grants and contributions	<u>32,401</u>	<u>-</u>	<u>32,401</u>
Total program revenues	<u>36,347</u>	<u>-</u>	<u>36,347</u>
NET CHANGE IN FUND BALANCE/NET POSITION	4,006	(770)	3,236
FUND BALANCE/NET POSITION - BEGINNING	<u>23,326</u>	<u>2,310</u>	<u>25,636</u>
FUND BALANCE/NET POSITION - ENDING	<u>\$ 27,332</u>	<u>\$ 1,540</u>	<u>\$ 28,872</u>
Net change in fund balance			\$ 4,006
Amounts reported in the statement of activities are different because:			
Changes in capital assets:			
Depreciation			<u>(770)</u>
Change in net position			<u>\$ 3,236</u>

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Thornapple Area Parks and Recreation Commission (the Commission), conform to accounting principles generally accepted in the United States of America (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant accounting policies.

Reporting entity:

As required by generally accepted accounting principles, these financial statements present only the Commission (located in Barry County), as management has determined that there are no other entities for which the Commission is financially accountable.

These financial statements include all the operations of the Commission, a municipal joint venture. The Commission was created in February 2000 by an agreement entered into by the Village of Middleville, the Township of Thornapple, and Thornapple Kellogg Schools. The Commission plans, operates, and provides park and recreational programs and services for the citizens of its member municipal units. Costs of operations and park improvement expenditures are supported by contributions from the member units. Each member unit is required to make a minimum annual contribution of \$3,000.

Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the Commission.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Interest and other items not properly included among program revenues are reported instead as general revenues.

Measurement focus, basis of accounting, and financial statement presentation:

The statement of net position and the statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The Operating Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the Commission generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Grants, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the Commission.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting, and financial statement presentation (continued):

The Commission reports a single major governmental fund, the Operating Fund, which accounts for all financial resources of the Commission. Revenues are primarily derived from charges for services and contributions from member municipal units.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided, and (2) operating grants and contributions.

Assets, liabilities, and equity:

Cash - Cash is considered to be cash on hand and demand deposits.

Receivables - All receivables are considered to be fully collectible.

Prepays - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaids in both government-wide and fund financial statements.

Capital assets - Capital assets, which includes equipment, are reported in the financial statements. Capital assets are defined by the Commission as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value as of the date received.

Equipment is depreciated using the straight-line method over useful lives of 5 - 10 years.

Net position - Net position represents the difference between assets and liabilities. The Commission reports only unrestricted net position, which is available for general use by the Commission.

Net position flow assumption - Sometimes, the Commission will fund outlays for a particular purpose from both restricted (e.g., restricted grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Commission's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Fund equity - In the fund financial statements, governmental funds classify amounts that are not available for appropriation (prepaid expenses) as nonspendable fund balance. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws and regulations of other governments. The Board retains the authority to assign fund balance. Unassigned fund balance is the residual classification of the Operating Fund. When the Commission incurs an expenditure for purposes for which various fund balance classifications can be used, it is the Commission's policy to use restricted fund balance first, followed by assigned fund balance, and, finally, unassigned fund balance.

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information - An annual budget is adopted on a basis consistent with generally accepted accounting principles. The budget document presents information by activity and function. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year. There were no reportable budget violations during the current year.

NOTE 3 - CASH

Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended) authorize the Commission to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Commission's deposits are maintained at one financial institution in the name of the Commission and are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Commission will not be able to recover its deposits. At December 31, 2020, the Commission has deposits with a carrying amount of \$24,825 and a bank balance of \$29,413. The bank balance is fully covered by depository insurance.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Capital assets being depreciated - equipment	\$ 3,850	\$ -	\$ -	\$ 3,850
Less accumulated depreciation for - equipment	<u>(1,540)</u>	<u>(770)</u>	<u>-</u>	<u>(2,310)</u>
Total capital assets being depreciated, net	<u>\$ 2,310</u>	<u>\$ (770)</u>	<u>\$ -</u>	<u>\$ 1,540</u>

Depreciation expense was charged solely to the recreation and culture function.

NOTE 5 - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to property loss and errors and omissions. The Commission has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

Thornapple Area Parks and Recreation Commission

BUDGETARY COMPARISON SCHEDULE - Operating Fund

Year ended December 31, 2020

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Contributions from local units	\$ 9,000	\$ 14,750	\$ 14,233	\$ (517)
Charges for services - recreation fees	38,625	4,865	3,946	(919)
Interest	5	5	-	(5)
Other:				
United Way grant	12,000	10,300	10,022	(278)
Sponsorships	10,500	3,000	3,700	700
Miscellaneous	2,900	1,400	680	(720)
Donations	1,670	1,870	3,766	1,896
Total revenues	<u>74,700</u>	<u>36,190</u>	<u>36,347</u>	<u>157</u>
EXPENDITURES				
Recreation and culture	70,625	36,660	32,341	4,319
Capital outlay	3,025	-	-	-
Total expenditures	<u>73,650</u>	<u>36,660</u>	<u>32,341</u>	<u>4,319</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,050	(470)	4,006	4,476
FUND BALANCES - BEGINNING	<u>23,326</u>	<u>23,326</u>	<u>23,326</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 24,376</u>	<u>\$ 22,856</u>	<u>\$ 27,332</u>	<u>\$ 4,476</u>