
Romeo, Washington, Bruce Parks and Recreation
Commission

**Financial Report
with Supplemental Information
March 31, 2020**

Romeo, Washington, Bruce Parks and Recreation Commission

Contents

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-4
Basic Financial Statements	
Governmental Fund Balance Sheet - Statement of Net Position	5
Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance - Statement of Activities	6
Notes to Financial Statements	7-14
Required Supplemental Information	15
Budgetary Comparison Schedule - General Fund	16
Notes to Required Supplemental Information	17

Independent Auditor's Report

To the Members of the Commission
Romeo, Washington, Bruce Parks
and Recreation Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of Romeo, Washington, Bruce Parks and Recreation Commission (the "Commission") as of and for the year ended March 31, 2020 and the related notes to the financial statements, which collectively comprise Romeo, Washington, Bruce Parks and Recreation Commission's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of Romeo, Washington, Bruce Parks and Recreation Commission as of March 31, 2020 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Members of the Commission
Romeo, Washington, Bruce Parks
and Recreation Commission

Other Matter

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the General Fund budgetary comparison schedule, as identified in the table of 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, which 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 supplemental 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.

Plante & Moran, PLLC

August 12, 2020

Romeo, Washington, Bruce Parks and Recreation Commission

Management's Discussion and Analysis

Our discussion and analysis of Romeo, Washington, Bruce Parks and Recreation Commission's (the "Commission") financial performance provides an overview of the Commission's financial activities for the fiscal year ended March 31, 2020. Please read it in conjunction with the Commission's basic financial statements.

The Commission's basic financial statements are presented on both the modified accrual basis and the government-wide basis in accordance with Governmental Accounting Standards Board Statement No. 34. The modified accrual basis presents a short-term view; it tells us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. The government-wide statements present a long-term view of the Commission's finances. This long-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing the Commission's services.

To remain consistent with Governmental Accounting Standards Board Statement No. 34, the management's discussion and analysis report includes comparative data from the prior year within the financial sections below.

Romeo, Washington, Bruce Parks and Recreation Commission as a Whole

The following tables show, in condensed format, the net position as of March 31, 2020 and 2019 and the changes in net position for the years then ended:

	2020	2019
Assets		
Current assets	\$ 2,731,086	\$ 2,683,589
Capital assets	707,350	625,848
Total assets	3,438,436	3,309,437
Current Liabilities	87,901	175,799
Net Position		
Net investment in capital assets	707,350	625,848
Restricted	15,535	15,535
Unrestricted	2,627,650	2,492,255
Total net position	\$ 3,350,535	\$ 3,133,638
	2020	2019
Revenue		
Property taxes	\$ 1,315,037	\$ 1,326,977
Intergovernmental	138,702	126,139
Program fees	716,443	771,391
Interest and rentals	70,241	65,222
Other revenue	17,994	17,653
Total revenue	2,258,417	2,307,382
Expenditures		
General and administrative	160,885	158,214
Community improvement and development	487,144	513,852
Program	835,237	920,104
Administrative salaries	288,759	278,893
Administrative benefits	167,058	161,158
Depreciation	102,437	97,359
Total expenditures	2,041,520	2,129,580
Change in Net Position	\$ 216,897	\$ 177,802

Romeo, Washington, Bruce Parks and Recreation Commission

Management's Discussion and Analysis (Continued)

The Commission's current year increase in net position was approximately \$217,000; the prior year's increase in net position was approximately \$178,000. The significant differences from the prior year to the current year related to an approximately \$12,000 decrease in property taxes, approximately \$13,000 increase in intergovernmental revenue, approximately \$55,000 decrease in program fees, approximately \$5,000 increase in interest and rentals, and \$300 increase in other revenue.

Program revenue was down, as were expenses. Program revenue was lower than budgeted amounts by approximately \$180,000, while program operating expenses were lower than the budget by approximately \$74,000.

Several factors played into these budget changes. Contributing factors included unscheduled closure of the pool due to building issues, loss of primary instructors of our tot and gymnastic programs, and closure of the Octagon House Barn used for archery. Fluctuating program enrollments, inaccurate projected budgeted amounts, and an increase in many fixed program expenses also always play a part, as well as the COVID-19 pandemic outbreak.

Administratively, the Commission was under budget by approximately \$242,000 (including salaries, benefits, and other general and administrative expenses).

The Commission had current year capital asset additions of \$183,939. This balance includes additions for machinery, equipment, and vehicles, as well as office equipment, land improvements and building improvements.

General Fund Budgetary Highlights

Overall, the General Fund's fund balance is \$2,597,335 as of March 31, 2020, increasing from the prior year by 7 percent, or \$172,714. General Fund expenditures in the current year totaled \$2,121,198. The Commission has agreed for parks and recreation to assign a total of \$1,250,000: \$1,000,000 for capital development and \$250,000 toward future use and development.

Economic Factors and Next Year's Budgets and Rates

The budget for next year will again be influenced by COVID-19.

Presently, the budget projects a small increase in interest revenue, which we hope to obtain by continuing to improve on investment products. The pool is under construction, so use will be limited. Capital development projects include the Romeo Community parking lot; repairs to the senior center roof; additions to the Washington Park Playground; and the repair and resurfacing of park basketball courts and walking trails, including connecting Orchard Hills Park with a connector to the township's walkways.

A two-year administrative step increase was approved after a salary comparison for all full-time staff for 2019-20 and 2020-21 fiscal years. In another effort to keep administrative costs lower, over the last 10 years, our average raise percentage equaled 1.9 percent yearly. In addition, 25 percent of our full-time staff positions have been absorbed since 2004.

The economic factors of the COVID-19 pandemic may have an impact on the 2020 General Fund budget. The Commission is diligently working to ensure budgetary impacts will be proactively addressed.

Requests for Further Information

This financial report is intended to provide a general overview of the Commission's finances and demonstrate the Commission's accountability for the money it receives. If you have questions about this report or need additional information, please contact Romeo, Washington, Bruce Parks and Recreation Commission's office.

Romeo, Washington, Bruce Parks and Recreation Commission

Governmental Fund Balance Sheet - Statement of Net Position

March 31, 2020

	Balance Sheet - Modified Accrual Basis	Adjustments (Note 2)	Statement of Net Position - Full Accrual Basis
Assets			
Cash and cash equivalents (Note 3)	\$ 2,550,772	\$ -	\$ 2,550,772
Accrued interest receivable	391	-	391
Due from other governmental units	170,599	-	170,599
Prepaid expenses	9,324	-	9,324
Capital assets - Net (Note 4)	-	707,350	707,350
	<u>\$ 2,731,086</u>	707,350	3,438,436
Total assets			
Liabilities			
Accounts payable	\$ 7,533	-	7,533
Due to other governmental units	6,594	-	6,594
Unearned revenue	31,385	-	31,385
Accrued liabilities	11,948	-	11,948
Compensated absences - Due within one year (Note 5)	-	30,441	30,441
	57,460	30,441	87,901
Total liabilities			
Deferred Inflows of Resources - Unavailable revenue	76,291	(76,291)	-
Equity			
Fund balance:			
Nonspendable	9,324	(9,324)	-
Restricted - Community playground	15,535	(15,535)	-
Assigned:			
Future use and development	250,000	(250,000)	-
Capital projects	1,000,000	(1,000,000)	-
Unassigned	1,322,476	(1,322,476)	-
	<u>2,597,335</u>	<u>(2,597,335)</u>	-
Total fund balance			
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 2,731,086</u>		
Net position:			
Net investment in capital assets		707,350	707,350
Restricted - Community playground		15,535	15,535
Unrestricted		2,627,650	2,627,650
		<u>2,627,650</u>	<u>2,627,650</u>
Total net position		<u>\$ 3,350,535</u>	<u>\$ 3,350,535</u>

Romeo, Washington, Bruce Parks and Recreation Commission

Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance - Statement of Activities

Year Ended March 31, 2020

	Revenue and Expenditures - Modified Accrual Basis	Adjustments (Note 2)	Statement of Activities - Full Accrual Basis
Revenue			
Property taxes	\$ 1,397,663	\$ (82,626)	\$ 1,315,037
Intergovernmental - State revenue	91,571	47,131	138,702
Program fees	716,443	-	716,443
Interest and rentals:			
Investment earnings	2,532	-	2,532
Field and facility rental fees	67,709	-	67,709
Other revenue:			
Capital donations and other	4,019	-	4,019
Brochure ads	13,975	-	13,975
	<u>2,293,912</u>	<u>(35,495)</u>	<u>2,258,417</u>
Total revenue	2,293,912	(35,495)	2,258,417
Expenditures			
General and administrative	159,061	1,824	160,885
Community improvement and development	671,083	(183,939)	487,144
Program	835,237	-	835,237
Administrative salaries	288,759	-	288,759
Administrative benefits	167,058	-	167,058
Depreciation	-	102,437	102,437
	<u>2,121,198</u>	<u>(79,678)</u>	<u>2,041,520</u>
Total expenditures	2,121,198	(79,678)	2,041,520
Net Change in Fund Balance/Net Position	172,714	44,183	216,897
Fund Balance/Net Position - Beginning of year	2,424,621	709,017	3,133,638
Fund Balance/Net Position - End of year	<u>\$ 2,597,335</u>	<u>\$ 753,200</u>	<u>\$ 3,350,535</u>

March 31, 2020

Note 1 - Summary of Significant Accounting Policies

The following is a summary of significant accounting policies used by Romeo, Washington, Bruce Parks and Recreation Commission (the "Commission")

Reporting Entity

The Commission was organized by Washington and Bruce townships by a joint resolution, and the articles of incorporation were adopted in 1971 and subsequently amended on March 26, 1986. The Commission was organized to promote, plan, coordinate, and operate a system of indoor and outdoor public recreation programs and facilities for all residents of those areas encompassed by the boundaries of the townships of Bruce and Washington and the Romeo School District. The Commission is governed by a two-member board, with one representative from each township and one alternate member from each township. The Commission is not considered to be a component unit of the townships of Bruce and Washington or the Romeo School District.

Accounting and Reporting Principles

The Commission follows accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives: the government-wide perspective and the fund-based perspective. The individual fund columns present their activities on the modified accrual basis of accounting, as discussed above, which demonstrates accountability for how the current resources have been spent. The government-wide columns are presented on the economic resources measurement focus and the full accrual basis of accounting in order to measure the cost of providing government services and the extent to which constituents have paid the full cost of government services.

On the full accrual basis of accounting, revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Accounting

The Commission accounts for its activities in one governmental fund. The General Fund is the primary operating fund and accounts for all financial resources used to provide services.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the Commission has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as sick and vacation pay) are not counted until they come due for payment.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the Commission considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: property taxes and fees for service.

Note 1 - Summary of Significant Accounting Policies (Continued)

Specific Balances and Transactions

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Prepaid Items

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements, when applicable.

Capital Assets

Capital assets, which include building and building improvements, land improvements, machinery, equipment, vehicles, and office equipment, are reported in the government-wide financial statements. Capital assets are defined by the Commission as assets with an initial individual cost of more than \$0 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 estimated acquisition value at the date of donation.

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

Capital Asset Class	Depreciable Life - Years
Building and building improvements	5-30
Machinery, equipment, and vehicles	3-10
Office equipment	5-10
Land improvements	15-30

Unearned Revenue

Both the modified and full accrual statements report unearned revenue in connection with revenue that has not been earned since it relates to advance collection of program fees for programs that will be provided subsequent to the end of the current fiscal year.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The Commission had no deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue is reported only in the General Fund balance sheet. The Commission reports unavailable revenue related to property taxes and intergovernmental state revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position Flow Assumption

The Commission will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements (as applicable), 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Balance Flow Assumptions

The Commission will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund 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 fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of the General Fund is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Commission itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Commission's highest level of decision-making authority. The board of commissioners is the highest level of decision-making authority for the Commission that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Commission for specific purposes, but do not meet the criteria to be classified as committed. The board of commissioners may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Property Tax Revenue

Property taxes are levied by Washington and Bruce townships on each December 1 and become an enforceable lien at that time; the tax is based on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The tax levied by member townships on behalf of the Commission was levied and collectible on December 1, 2019 and is recognized as revenue in the year ended March 31, 2020 when the proceeds of the levy are budgeted and available for the financing of operations.

The Commission receives property taxes levied by member townships of Washington and Bruce. The 2019 taxable valuation of all the property subject to the Commission's millage totaled \$1.449 billion and \$496 million for Washington Township and Bruce Township, respectively, on which taxes levied consisted of total mills of 0.7148 and 0.7290 for Washington Township and Bruce Township, respectively. This resulted in approximately \$1,315,000 for operations. This amount is recognized as tax revenue.

Compensated Absences

It is the Commission's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All compensated absence pay is accrued when incurred in the full accrual financial statements. A liability for these amounts is reported in the General Fund only for employee terminations as of year end. The General Fund is used to liquidate the obligations.

Note 1 - Summary of Significant Accounting Policies (Continued)

Use of Estimates

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

Upcoming Accounting Pronouncements

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The Commission is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the Commission's year ended March 31, 2020 but were extended to March 31, 2021 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires 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 based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, 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. The Commission is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the Commission's year ending March 31, 2021 but were extended to March 31, 2023 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. This statement addresses eight unrelated practice issues and technical inconsistencies in authoritative literature. The standard addresses leases, intraentity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The standard has various effective dates. The Commission does not believe this pronouncement will have a significant impact on its financial statements but is still making a full evaluation.

March 31, 2020

Note 2 - Reconciliation of Individual Fund Columns of the Statement of Net Position/Statement of Activities

Net position reported in the statement of net position column is different than the fund balance reported in the individual fund column because of the different measurement focus and basis of accounting, as discussed in Note 1. Below is a reconciliation of the differences:

Fund Balance Reported in Governmental Funds	\$ 2,597,335
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 are not reported in the funds	707,350
Property tax and intergovernmental state receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	76,291
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	<u>(30,441)</u>
Net Position of Governmental Activities	<u><u>\$ 3,350,535</u></u>

The change in net position reported in the statement of activities column is different than the change in fund balance reported in the individual fund column because of the different measurements focus and basis of accounting, as discussed in Note 1. Below is a reconciliation of the differences:

Net Change in Fund Balance Reported in Governmental Funds	\$ 172,714
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, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	183,939
Depreciation expense	(102,437)
Property tax and intergovernmental state revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	(35,495)
Changes in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources and, therefore, are not reported in the fund financial statements until they come due for payment	<u>(1,824)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 216,897</u></u>

March 31, 2020

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Commission has designated banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of state statutory authority, as listed above. The Commission's deposits and investments are in accordance with statutory authority.

The Commission's cash and investments are subject to custodial credit risk, which is examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission does not have a deposit policy for custodial credit risk. At year end, the Commission had \$1,840,067 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The Commission believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Commission evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Romeo, Washington, Bruce Parks and Recreation Commission

Notes to Financial Statements

March 31, 2020

Note 4 - Capital Assets

Capital asset activity of the Commission's governmental activities was as follows:

	Balance April 1, 2019	Additions	Disposals	Balance March 31, 2020
Capital assets being depreciated:				
Building and building improvements	\$ 680,769	\$ 18,475	\$ -	\$ 699,244
Machinery, equipment, and vehicles	205,909	2,681	-	208,590
Office equipment	94,526	26,401	-	120,927
Land improvements	1,100,986	136,382	-	1,237,368
Subtotal	2,082,190	183,939	-	2,266,129
Accumulated depreciation:				
Building and building improvements	355,584	37,902	-	393,486
Machinery, equipment, and vehicles	201,659	2,053	-	203,712
Office equipment	92,494	7,109	-	99,603
Land improvements	806,605	55,373	-	861,978
Subtotal	1,456,342	102,437	-	1,558,779
Net governmental activities capital assets	<u>\$ 625,848</u>	<u>\$ 81,502</u>	<u>\$ -</u>	<u>\$ 707,350</u>

Note 5 - Compensated Absences

Changes in accumulated compensated absences for the year ended March 31, 2020 were as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Compensated absences	\$ 28,617	\$ 27,146	\$ (25,322)	\$ 30,441	\$ 30,441

Note 6 - Retirement Plans

The Commission provides pension benefits to all of its full-time employees through a defined contribution plan. The Romeo-Washington-Bruce Parks and Recreation Employees Defined Contribution Plan is administered by Massachusetts Mutual Life Insurance Company (MassMutual). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by board resolution, the Commission contributes 12 percent of base salaries. In accordance with these requirements, the Commission contributed \$35,996 during the current year. The Commission does not require employee contributions.

Note 7 - Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Commission has purchased commercial insurance for medical claims and workers' compensation claims and participates in the Michigan Municipal League risk pool for claims relating to property loss, torts, and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

March 31, 2020

Note 7 - Risk Management (Continued)

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

Note 8 - Related Party Transactions

The Commission conducts its operations in facilities owned by a local unit of government. The cost of the building space is donated to the Commission. The monetary value of this in-kind service has not been determined.

Note 9 - Subsequent Events

The United States and the State of Michigan declared a state of emergency in early March 2020 due to the global coronavirus disease 2019 (COVID-19) pandemic. The financial impact of COVID-19 will impact subsequent periods of the Commission. The impact on the Commission's future operating costs; revenue; and any recovery from emergency funding, federal, state, or local, cannot be estimated.

Required Supplemental Information

Romeo, Washington, Bruce Parks and Recreation Commission

Required Supplemental Information Budgetary Comparison Schedule General Fund

Year Ended March 31, 2020

	Original Budget	Final Budget	Actual	Variance With Amended Budget
Revenue				
Property taxes	\$ 1,466,398	\$ 1,466,398	\$ 1,397,663	\$ (68,735)
Intergovernmental - State revenue	-	-	91,571	91,571
Program fees	896,450	896,450	716,443	(180,007)
Interest and rentals:				
Investment earnings	-	-	2,532	2,532
Field and facility rental fees	-	-	67,709	67,709
Other revenue:				
Capital donations and other	-	-	4,019	4,019
Brochure ads	-	-	13,975	13,975
Total revenue	2,362,848	2,362,848	2,293,912	(68,936)
Expenditures				
General and administrative	158,400	158,400	159,061	(661)
Community improvement and development	848,496	848,496	671,083	177,413
Program	909,050	909,050	835,237	73,813
Administrative salaries	287,412	287,412	288,759	(1,347)
Administrative benefits	159,490	159,490	167,058	(7,568)
Total expenditures	2,362,848	2,362,848	2,121,198	241,650
Net Change in Fund Balance	-	-	172,714	172,714
Fund Balance - Beginning of year	2,424,621	2,424,621	2,424,621	-
Fund Balance - End of year	<u>\$ 2,424,621</u>	<u>\$ 2,424,621</u>	<u>\$ 2,597,335</u>	<u>\$ 172,714</u>

Romeo, Washington, Bruce Parks and Recreation Commission

Notes to Required Supplemental Information

March 31, 2020

Budgetary Information

The annual budget is prepared by the Commission and adopted by Bruce and Washington townships; subsequent amendments are approved by the boards of the above entities. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at March 31, 2020 has not been determined. The budget was approved by the board at the March 2019 meeting. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget is adopted on a departmental basis for both program-based and nonprogram expenditures; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the budget, as adopted, is included in the required supplemental information. This comparison includes expenditure budget overruns. The additional detail in this statement is shown in greater detail than the budget that was adopted and is used to provide additional analysis for management use only.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the Commission incurred expenditures that were in excess of the amounts budgeted, as follows:

	Budget		Actual		Variance
General and administrative	\$ 158,400	\$	159,061	\$	(661)
Administrative salaries	287,412		288,759		(1,347)
Administrative benefits	159,490		167,058		(7,568)