

**HILLSDALE COUNTY PARK
COMMISSION**

Hillsdale, Michigan

FINANCIAL STATEMENTS

For The Year Ended December 31, 2008

HILLSDALE COUNTY PARK COMMISSION

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INDEPENDENT AUDITORS' REPORT

May 26, 2009

Members of the Board of County
Park Commissioners
County of Hillsdale, Michigan
Hillsdale, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the **HILLSDALE COUNTY PARK COMMISSION**, a special revenue fund of Hillsdale County, Michigan, as of and for the year ended December 31, 2008, which collectively comprise the Park Commission's financial statements, as listed in the table of contents. These financial statements are the responsibility of the Hillsdale County Park Commission's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements present only the Hillsdale County Park Commission Special Revenue Fund of the County of Hillsdale, Michigan, and do not purport to, and do not present fairly the financial position of the County of Hillsdale, Michigan, as of December 31, 2008, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 Hillsdale County Park Commission as of December 31, 2008, and the respective changes in financial position thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Commission has not presented Management's Discussion and Analysis as required supplementary information. The Governmental Accounting Standards Board has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.



FINANCIAL STATEMENTS

HILLSDALE COUNTY PARK COMMISSION

STATEMENT OF NET ASSETS AND GENERAL FUND BALANCE SHEET

DECEMBER 31, 2008

<u>ASSETS</u>	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Cash and cash equivalents	\$ 11,983	\$ -	\$ 11,983
Interest receivable	17		17
Capital assets			
Assets not being depreciated	-	3	3
Assets being depreciated	-	153,707	153,707
	<u> </u>	<u> </u>	<u> </u>
<u>TOTAL ASSETS</u>	<u>\$ 12,000</u>	<u>153,710</u>	<u>165,710</u>
 <u>LIABILITIES AND FUND EQUITY</u> 			
Liabilities			
Accounts payable	\$ 1,897	\$ 5,266	\$ 7,163
Accrued wages and taxes	977	-	977
Advances and deferred revenue	2,080	-	2,080
Due to other funds of Hillsdale County	5,266	(5,266)	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	10,220	-	10,220
 Fund balance/net assets			
Fund balance:			
Unreserved, undesignated	1,780	(1,780)	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	<u>\$ 12,000</u>		
 Net assets			
Invested in capital assets		153,710	153,710
Unrestricted		1,780	1,780
		<u> </u>	<u> </u>
Total net assets		<u>\$ 155,490</u>	<u>\$ 155,490</u>

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

HILLSDALE COUNTY PARK COMMISSION

Reconciliation of the General Fund Balance Sheet to the Statement of Net Assets

FOR THE YEAR ENDED DECEMBER 31, 2008

Fund balance - General Fund	\$ 1,780
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>153,710</u>
Net assets of governmental activities	<u><u>\$ 155,490</u></u>

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

HILLSDALE COUNTY PARK COMMISSION

STATEMENT OF ACTIVITIES AND GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED DECEMBER 31, 2008

	General Fund	Adjustments	Statement of Activities
EXPENDITURES/EXPENSES			
Parks and recreation	\$ 71,087	\$ -	\$ 71,087
PROGRAM REVENUES			
Charges for services	34,027	(17,116)	16,911
Operating grants and contributions	25,000	-	25,000
TOTAL PROGRAM REVENUES	59,027	(17,116)	41,911
NET PROGRAM EXPENSES			(29,176)
GENERAL REVENUES			
Interest earned	583	-	583
NET CHANGE IN FUND BALANCES	(11,477)	11,477	
CHANGES IN NET ASSETS		(28,593)	(28,593)
FUND BALANCE/NET ASSETS,			
Beginning of year	13,257	170,826	184,083
FUND BALANCE/NET ASSETS, End of year	\$ 1,780	\$ 153,710	\$ 155,490

The accompanying notes are an integral part of these financial statements

HILLSDALE COUNTY PARK COMMISSION

**Reconciliation of the General Fund Revenues, Expenditures
and Changes in Fund Balance to the Statement of Activities**

YEAR ENDED DECEMBER 31, 2008

Net change in fund balances - General Fund	\$ (11,477)
Amounts reported for <i>governmental activities</i> 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 and reported as depreciation expense.	
Deduct - depreciation expense	<u>(17,116)</u>
Change in net assets of governmental activities	<u><u>\$ (28,593)</u></u>

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

HILLSDALE COUNTY PARK COMMISSION

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

Parks General Fund

For the Year Ended December 31, 2008

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Community Center and house rentals	\$ 18,300	\$ 17,300	\$ 16,580	\$ (720)
Interest on investments	1,500	650	583	(67)
Contribution from Hillsdale County - regular	25,000	25,000	25,000	-
Miscellaneous	21,575	17,600	17,447	(153)
Total revenues	<u>66,375</u>	<u>60,550</u>	<u>59,610</u>	<u>(940)</u>
Expenditures				
Maintenance and repairs	2,550	2,875	3,025	150
Operating	27,220	26,907	26,512	(395)
Community Center	24,396	23,500	23,389	(111)
Administrative	17,310	18,366	18,161	(205)
Capital outlay	500	-	-	-
Total expenditures	<u>71,976</u>	<u>71,648</u>	<u>71,087</u>	<u>(561)</u>
Net change in fund balances	<u>(5,601)</u>	<u>(11,098)</u>	<u>(11,477)</u>	<u>(379)</u>
Fund balance, beginning of year	<u>13,257</u>	<u>13,257</u>	<u>13,257</u>	<u>-</u>
Fund balance, end of year	<u>\$ 7,656</u>	<u>\$ 2,159</u>	<u>\$ 1,780</u>	<u>\$ (379)</u>

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

HILLSDALE COUNTY PARK COMMISSION

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Hillsdale County Park Commission (the “Park Commission”) conform to generally accepted accounting principles as applied to governmental units. The following is a summary of the significant policies.

Reporting Entity

The Hillsdale County Park Commission, referred to as the Park Commission, is a Special Revenue Fund of the County of Hillsdale, Michigan (“County”), and is used to control the expenditure of revenues from contributions from other local units of government for work performed by the Park Commission.

Basis of Presentation

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government. *Governmental activities* are supported by charges for services and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Internally dedicated resources are reported as general revenues rather than as program revenues.

As permitted by GASB Statement No. 34, the Park Commission uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances. The general fund, the sole major governmental fund, is reported as a separate column in the aforementioned financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements (statement of net assets and the statement of activity) 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 revenue as soon as all eligibility requirements imposed by the provider have been met.

HILLSDALE COUNTY PARK COMMISSION

NOTES TO FINANCIAL STATEMENTS

Governmental fund (general fund) financial statements (general fund balance sheet and general fund statement of revenues, expenditures and changes in fund balance) 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* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are 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, as well as expenditures related to compensated absences not expected to be paid in the current year and claims and judgments, are recorded only when payment is due.

State and grant revenue, licenses 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 and available only when cash is received by the government.

This element of the government reporting unit reports the following major governmental fund:

The *parks general operating fund* is this reporting unit's primary operating fund. It accounts for specific revenue sources that are legally restricted to expenditures for the County Park System.

Budgetary Data

The governmental fund is under formal budgetary control. The budget shown in the financial statements is adopted on a basis consistent with generally accepted accounting principles (GAAP), and is not significantly different from the modified accrual basis used to reflect actual results, and consists only of those amounts contained in the formal budget as originally adopted or as amended by the Board of County Park Commissioners. The budget for the Parks General Fund is adopted on a functional basis.

Capital Assets

Capital assets, which include property and equipment, are reported in the government-wide statements (statement of net assets and statement of changes in net assets). Capital assets are defined by the Park Commission as assets with an initial cost of \$200 or more and an estimated life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date donated.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded as capital expenditures at the time of purchase in the fund financial statements (general fund statement of revenues, expenditures and changes in fund balance) and are subsequently capitalized on the government-wide statements through an adjustment to the governmental fund (general fund) column.

The Park Commission provides for recording depreciation in the Parks Operating Fund as a charge to various expense accounts and a credit to the depreciation contra expense account. Accordingly, the annual depreciation expense does not affect the available operating fund balance of the General Operating Fund.

HILLSDALE COUNTY PARK COMMISSION

NOTES TO FINANCIAL STATEMENTS

Depreciation is recorded over the estimated useful lives (ranging from five to forty years) of the assets, using the straight-line method as follows:

	<u>Years</u>
Land improvements	10
Buildings	40
Equipment	5 to 10

2. CASH DEPOSITS AND INVESTMENTS

Deposits

At December 31, 2008, the amount of the Park Commission's deposits were as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Petty cash	\$ 20	\$ N/A
Held by Hillsdale County checking and savings accounts	11,963	11,980
	\$ 11,983	\$ 11,980

Statutes authorize the Park Commission to invest funds in the following:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase
- Bankers acceptances of United States banks
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service
- Mutual funds registered under the investment company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation
- External investment pools as authorized by Public Act 20 as amended through 12/31/97

HILLSDALE COUNTY PARK COMMISSION

NOTES TO FINANCIAL STATEMENTS

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the listing of authorized investments above. The Park Commission's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Park Commission has no investments at December 31, 2008.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The Park Commission's investment policy does not have specific limits in excess of state law on investment credit risk. The Park Commission has no investments at December 31, 2008.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Park Commission's deposits may not be returned. State law does not require and the Park Commission does not have a policy for deposit custodial credit risk. As of December 31, 2008, deposits in the amount of \$11,980 held by Hillsdale County may be partially covered by federal depository insurance. The amount of federal depository insurance is determined for the County as a whole, but cannot be separately identified for the Park Commission.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Park Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Park Commission does not have a policy for investment custodial credit risk.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The Park Commission's investment policy does not have specific limits in excess of state law on concentration of credit risk. The Park Commission has no investments at December 31, 2008.

HILLSDALE COUNTY PARK COMMISSION

NOTES TO FINANCIAL STATEMENTS

3. CAPITAL ASSETS

Changes in the components of the capital assets are summarized as follows:

	Balance January 1, 2008	Additions	Deductions	Balance December 31, 2008
Capital assets not being depreciated:				
Land	\$ 3	\$ -	\$ -	\$ 3
Capital assets being depreciated:				
Land improvements	69,052	-	-	69,052
Buildings	319,494	-	-	319,494
Park equipment	20,793	-	-	20,793
Community Center Equipment	10,112	-	-	10,112
Subtotal	419,451	-	-	419,451
Accumulated depreciation:				
Land improvements	48,190	2,691	-	50,881
Buildings	172,123	12,282	-	184,405
Park equipment	18,587	1,934	-	20,521
Community Center Equipment	9,729	209	-	9,938
Total accumulated depreciation and depletion	248,629	17,116	-	265,745
Total capital assets being depreciated - net	170,823	(17,116)	-	153,707
Governmental activities capital assets - net	\$ 170,826	\$ (17,116)	\$ -	\$ 153,710
