



FREMONT COMMUNITY RECREATION AUTHORITY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021



Vredeveld Haefner LLC
CPAs and Consultants

FREMONT COMMUNITY RECREATION AUTHORITY

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INDEPENDENT AUDITORS' REPORT

April 4, 2022

Members of the Board
Fremont Area Recreation Authority
Fremont, Michigan

Opinions

We have audited the financial statements of the governmental activities and the major fund of the Fremont Community 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 accompanying 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 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 (GAAS). 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.

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 GAAS 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 GAAS, 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 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 judgement, 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 in 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 and other information on page 23 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 and 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 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.

Urodeheld Haefner LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Fremont Community Recreation Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview of the Authority's financial activities for the year ended December 31, 2021. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- The Authority's primary funding sources are property taxes, membership fees and program fees. Membership and program fees increased \$10,899 and \$27,993, respectively, during 2021.
- During 2021, the Authority fully repaid the operating loan to the City of Fremont.
- The Authority is debt-free with no long-term debt obligations outstanding at year-end.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of activities* presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Authority that are principally supported by intergovernmental and fee revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The Authority currently has no business-type activities.

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other units of government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority utilizes a single governmental fund.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the Authority's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Authority's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances, provide a reconciliation to the government-wide financial statements to facilitate this comparison between *governmental funds* and *governmental activities*.

The Authority maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and change in fund balance for the General fund which is considered a major fund.

The Authority adopts an annual appropriations budget for its General fund as required by state law. A budgetary comparison statement has been provided as required supplementary information for the General fund to demonstrate legal compliance.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This includes this discussion and analysis as well as a budgetary comparison schedule which is provided for the General fund to demonstrate compliance with the annual appropriated budget.

Government-wide Financial Analysis

Statement of Net Position – As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. At the close of the most recent fiscal year, assets exceeded liabilities by \$3,647,773. The following table represents condensed information about the Authority's financial position for the past two fiscal years.

	Net Position	
	<u>2021</u>	<u>2020</u>
Current assets	\$ 181,409	\$ 142,158
Noncurrent assets	3,486,372	3,582,897
Total assets	<u>3,667,781</u>	<u>3,725,055</u>
Current liabilities	<u>20,008</u>	<u>36,327</u>
Net position		
Net investment in capital assets	3,486,372	3,582,897
Unrestricted	161,401	105,831
Total net position	<u>\$3,647,773</u>	<u>\$3,688,728</u>

Approximately 96% of the Authority's net position is the net investment in capital assets (e.g., land, buildings and improvements and equipment, less any related debt used to acquire those assets that is still outstanding) while the remaining portion (4%) reflects unrestricted net position which is available for future operation. The Authority uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Statement of Activities – The Authority’s total revenue for the fiscal year ended December 31, 2021, was \$304,107 while total cost of all programs and services was \$345,062. This results in a decrease in net position of \$40,955.

The following table presents a summary of the changes in net position for the years ended December 31.

Changes in Net Position		
	<u>2021</u>	<u>2020</u>
Program revenues		
Charges for services	\$105,482	\$ 62,771
Operating grants and contributions	-	100
General revenues		
Property taxes	157,617	171,178
Rental income	39,759	47,433
Other	1,249	-
Total revenues	<u>304,107</u>	<u>281,482</u>
Functions/program expenses		
Recreation and culture	<u>345,062</u>	<u>252,276</u>
Change in net position	(40,955)	29,206
Net position, beginning of year	<u>3,688,728</u>	<u>3,659,522</u>
Net position, end of year	<u>\$3,647,773</u>	<u>\$3,688,728</u>

During the year the Authority’s property tax revenues decreased as a result of decreased property values. Charges for services revenues and program expenses increased during the year since the Authority was closed during a portion of 2020 due to the COVID-19 pandemic.

Financial Analysis of the Government’s Funds

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds – The focus of the Authority’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority’s financing requirements. In particular, fund balance may serve as a useful measure of the Authority’s net resources available for spending at the end of the fiscal year.

The General fund is the chief operating fund of the Authority. At the end of the current fiscal year, unassigned fund balance of the General fund was \$122,160. As a measure of the General fund’s liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 49% of total General fund expenditures. The total fund balance of the Authority’s General fund increased by \$33,899 during the current fiscal year.

Budgetary Highlights

- Revenues and expenses were budgeted at a conservative level due to uncertain impacts from COVID-19 and the Authority’s facility closure during the pandemic.

Capital Asset and Debt Administration

Capital assets. The Authority's investment in capital assets at year-end amounted to \$3,486,372 (net of accumulated depreciation).

Significant capital purchases during the year consisted primarily of a computer and an air compressor.

The Authority's capital assets (net of depreciation) are summarized as follows:

Land	\$ 200,000
Buildings and improvements	3,284,292
Equipment	<u>2,080</u>
Total	<u>\$3,486,372</u>

Additional information on the Authority's capital assets can be found in Note 4 of these financial statements.

Debt. At the end of the fiscal year, the Authority had no debt outstanding.

Economic Factors and Next Year's Budget

- The Authority seeks to continue updating and increasing the expansion of program offerings.
- It is anticipated that membership and program revenues will remain consistent.

Requests for Information

This financial report provides an overview of the current and prospective financial condition of the Authority's operations and financial position. If you have questions or need additional financial information, please contact us at 201 E Maple Street, Fremont, MI 49412 or call or email us as noted below:

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BASIC FINANCIAL STATEMENTS

FREMONT COMMUNITY RECREATION AUTHORITY

STATEMENT OF NET POSITION

DECEMBER 31, 2021

	<u>Primary Government Governmental Activities</u>
Assets	
Cash	\$ 101,565
Taxes receivable	77,001
Prepaid expense	2,843
Capital assets	
Land	200,000
Depreciable capital assets, net	<u>3,286,372</u>
Total assets	<u>3,667,781</u>
Liabilities	
Accounts payable	15,839
Accrued payroll	969
Unearned revenue	2,100
Security deposits payable	<u>1,100</u>
Total liabilities	<u>20,008</u>
Net position	
Net investment in capital assets	3,486,372
Unrestricted	<u>161,401</u>
Total net position	<u>\$ 3,647,773</u>

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

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FREMONT COMMUNITY RECREATION AUTHORITY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2021

<u>Functions/Programs</u>	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Net (Expense) Revenue</u>
Governmental activities			
Recreation and culture	\$ 345,062	\$ 105,482	\$ (239,580)
Total	<u>\$ 345,062</u>	<u>\$ 105,482</u>	<u>(239,580)</u>
General revenues			
Property taxes			157,617
Rental income			39,759
Interest earnings			40
Other general revenues			<u>1,209</u>
Total general revenues			<u>198,625</u>
Change in net position			(40,955)
Net position, beginning of year			<u>3,688,728</u>
Net position, end of year			<u>\$ 3,647,773</u>

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

FREMONT COMMUNITY RECREATION AUTHORITY

**GOVERNMENTAL FUND
BALANCE SHEET**

DECEMBER 31, 2021

	<u>General</u>
Assets	
Cash	\$ 101,565
Taxes receivable	77,001
Prepaid expense	<u>2,843</u>
Total assets	<u>\$ 181,409</u>
Liabilities, deferred inflows and fund balance	
Liabilities	
Accounts payable	\$ 15,839
Accrued payroll	969
Unearned revenue	2,100
Security deposits payable	<u>1,100</u>
Total liabilities	<u>20,008</u>
Deferred inflows of resources	
Unavailable revenue	<u>33,542</u>
Fund balance	
Non-spendable	
Prepaid expense	2,843
Assigned	2,856
Unassigned	<u>122,160</u>
Total fund balance	<u>127,859</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 147,867</u>

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

FREMONT COMMUNITY RECREATION AUTHORITY

**RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET
FOR GOVERNMENTAL FUND TO NET POSITION OF
GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION**

DECEMBER 31, 2021

Fund balance - governmental fund	\$ 127,859
Amounts reported for governmental activities in the statement of net position are different because	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Add - capital assets (net)	3,486,372
Deferred inflows of resources related to property taxes are not available to finance current period expenditures.	
Unavailable revenue	<u>33,542</u>
Net position of governmental activities	<u>\$ 3,647,773</u>

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

FREMONT COMMUNITY RECREATION AUTHORITY

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

FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>General</u>
Revenues	
Taxes	\$ 135,946
Program fees	52,720
Membership fees	49,023
Rental income	39,759
Merchandise and concessions	3,739
Interest	40
Miscellaneous	<u>1,209</u>
Total revenues	<u>282,436</u>
Expenditures	
Current	
Culture and recreation	
Salary and wages	59,390
Supplies	26,342
Repairs and maintenance	34,629
Contracted services	10,088
Insurance	7,791
Merchandise and concessions	2,151
Advertising and community promotion	2,761
Utilities	100,816
Other	<u>4,569</u>
Total expenditures	<u>248,537</u>
Net change in fund balance	33,899
Fund balance, beginning of year	<u>93,960</u>
Fund balance, end of year	<u>\$ 127,859</u>

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

FREMONT COMMUNITY RECREATION AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2021

Net change in fund balance - governmental fund	\$	33,899
<p>Amounts reported for governmental activities in the statement of activities are different because</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.</p>		
Add - capital outlay		2,282
Deduct - depreciation expense		(98,807)
<p>Certain assets used in governmental activities are not available to pay current period expenditures and therefore are deferred in the governmental funds.</p>		
Add - increase in unavailable property tax revenues		21,671
Change in net position of governmental activities	\$	<u>(40,955)</u>

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

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FREMONT COMMUNITY RECREATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Fremont Community Recreation Authority (the Authority) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

The Authority serves the City of Fremont (the City) and the Townships of Sheridan and Dayton (the Townships) located within Newaygo County. The Authority provides a broad spectrum of recreational sport and wellness programs and services to the Fremont and surrounding communities that encourages healthy lifestyles and enhance personal development through participation and leadership opportunities.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Authority. There are no component units to be included. The criteria for including a component unit include significant operational or financial relationships with the Authority.

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 of the activities of the primary government. *Governmental activities*, which normally are supported by program fees and intergovernmental revenues are reported in total. The Authority has no business-type or fiduciary activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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. Other items not properly included among program revenues are reported instead as *general revenues*.

The Authority maintains only one fund, the General fund, which is reported as a major governmental fund and is used to account for all financial resources of the Authority. The General fund is considered to be a major fund for financial reporting purposes. The Authority does not utilize any proprietary or fiduciary funds.

Measurement Focus and Basis of Accounting

The government-wide financial statements 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.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

FREMONT COMMUNITY RECREATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

Governmental funds are accounted for using the *modified accrual basis of accounting*. Their revenues are recognized when they become measurable and available. 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, except for reimbursement-based grants and interest which use a one-year collection period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include: (1) principal and interest on long-term debt and (2) payment for compensated absences, which are recognized when due.

Governmental funds are accounted for on a spending or “flow of financial resources” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of “available, spendable resources”.

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available, spendable resources” during a period.

Budgets and Budgetary Accounting

Comparisons to budget are presented for the General fund. The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to January 1, the Director submits to the Board of Directors (Board) a proposed operating budget for the fiscal year commencing the following January 1.
2. Prior to January 1, the budget is legally enacted through a Board motion.
3. Formal budgetary integration is employed as a management control device during the year for the General fund.
4. The budget for the General fund is adopted on a basis consistent with generally accepted accounting principles.
5. Adoption and amendment of the budget used by the Authority is governed by Michigan Law. The appropriations are based on the projected expenditures budget of the various functions of the Authority. Any amendment to the original budget must meet the requirements of Michigan Law. The Authority did not amend its budget during the year. Any revisions that alter the expenditures at the object level within the General fund must be approved by the Board.

Deposits and Investments

State statutes and Board policy authorize the Authority to invest in:

- a) Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b) Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c) Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

FREMONT COMMUNITY RECREATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

- d) Bankers acceptances of United States banks.
- e) 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.
- f) 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.
- g) External investment pools as authorized by Public Act 20 as amended.

Receivables

Accounts receivable are due from member units of government and/or program participants.

Prepaid Items

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are accounted for following the consumption method of accounting.

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements.

Capital assets are defined by the government 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 valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at acquisition value (the price that would be paid to acquire an asset with an equivalent service potential in any orderly market transaction) on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	15-40
Equipment	5

Deferred Outflows/Inflows 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 a 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.

FREMONT COMMUNITY RECREATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

In addition to liabilities, the statement of financial position 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 has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Unearned Revenue

Both government-wide and fund financial statements report *unearned revenue* in connection with resources that have been received, but not yet earned.

Net Position and Fund Balance Reporting

Governmental funds report fund balance in the following five categories:

1. Non-spendable – the related asset's form does not allow expenditure of the balance. The assets are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, non-current financial assets, and the nonspendable portion of endowments.
2. Restricted – the related assets can only be spent for the specific purposes stipulated by constitution, external resource providers, or as identified in enabling legislation.
3. Committed – the related assets can only be spent for a specific purpose identified by formal resolution of the Authority's governing board.
4. Assigned – the related assets can only be spent for a specific purpose identified by formal resolution of the Authority's governing board. The Board has not delegated authority for the ability to assign fund balance.
5. Unassigned – is the residual classification and includes all spendable amounts not contained in the other classifications.

Net Position and Fund Balance Flow Assumptions

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position/fund balance and unrestricted – net position/fund balance, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to use restricted resources first, then unrestricted resource as they are needed. Further, 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.

Property Taxes

The Authority levies its property taxes on December 1 which is based on the taxable values as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year. The City and Townships bill and collect the property taxes. The Authority levied .5 mill for July 1 and December 31, 2021.

FREMONT COMMUNITY RECREATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance to cover risks of losses. The Authority has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

Michigan law provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Authority's actual expenditures and budgeted expenditures for the general fund has been shown at the object level. The approved budget of the Authority for the general fund was also adopted at the object level. During the year ended December 31, 2021, the Authority incurred expenditures in the General fund which were in excess of the amounts appropriated as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance (Unfavorable)</u>
General Fund			
Supplies	\$18,000	\$ 26,342	\$ (8,342)
Repairs and maintenance	30,000	34,629	(4,629)
Contracted services	7,800	10,088	(2,288)
Merchandise and concessions	1,000	2,151	(1,151)
Advertising and community promotion	2,500	2,761	(261)
Utilities	85,000	100,816	(15,816)
Other	4,000	4,569	(569)

3. DEPOSITS

The balance on the financial statements for cash was \$101,565. This balance was in a financial institution located in Michigan. State policy limits the Authority's deposit options to financial institutions located in Michigan. All accounts are in the name of the Authority and are recorded in Authority records at fair value.

Deposit risk

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. As of year-end, the Authority's entire bank balance of \$109,476 was FDIC insured.

FREMONT COMMUNITY RECREATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

4. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<u>Balance January 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2021</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 200,000	\$ -	\$ -	\$ 200,000
Capital assets, being depreciated				
Building and improvements	3,812,072	-	-	3,812,072
Equipment	9,095	2,282	7,100	4,277
Total capital assets, being depreciated	3,821,167	2,282	7,100	3,816,349
Less accumulated depreciation for				
Building and improvements	429,175	98,605	-	527,780
Equipment	9,095	202	7,100	2,197
Total accumulated depreciation	438,270	98,807	7,100	529,977
Net capital assets, being depreciated	3,382,897	(96,525)	-	3,286,372
Governmental activities capital assets, net	\$3,582,897	\$(96,525)	\$ -	\$3,486,372

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities	
Recreation and culture	\$98,807

5. LINE OF CREDIT

The Authority has a line of credit with a bank that permits borrowings up to \$25,000. At December 31, 2021, there were no amounts outstanding on the line of credit.

6. LEASES

Lessors

During the year ended December 31, 2021, the Authority had operating lease agreements with unrelated third parties for building space that expire on or before June 30, 2024.

The Authority's investment in property held for lease is as follows:

Building	\$3,700,000
Less accumulated depreciation	515,470
Net building	\$3,184,530

FREMONT COMMUNITY RECREATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

The following is a schedule of annual future minimum lease receipts required under the operating leases with remaining non-cancelable lease terms as of December 31, 2021:

<u>Year</u>	<u>Non- Cancelable Operating Leases</u>
2022	\$15,125
2023	10,200
2024	<u>5,100</u>
Total minimum future rentals	<u>\$30,425</u>

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REQUIRED SUPPLEMENTARY INFORMATION

FREMONT COMMUNITY RECREATION AUTHORITY

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 145,000	\$ 145,000	\$ 135,946	\$ (9,054)
Program fees	22,500	22,500	52,720	30,220
Membership fees	39,000	39,000	49,023	10,023
Rental income	31,800	31,800	39,759	7,959
Merchandise and concessions	1,500	1,500	3,739	2,239
Interest	-	-	40	40
Miscellaneous	-	-	1,209	1,209
Total revenues	<u>239,800</u>	<u>239,800</u>	<u>282,436</u>	<u>42,636</u>
Expenditures				
Current				
Culture and recreation				
Salary and wages	80,500	80,500	59,390	21,110
Supplies	18,000	18,000	26,342	(8,342)
Repairs and maintenance	30,000	30,000	34,629	(4,629)
Contracted services	7,800	7,800	10,088	(2,288)
Insurance	8,500	8,500	7,791	709
Merchandise and concessions	1,000	1,000	2,151	(1,151)
Advertising and community promotion	2,500	2,500	2,761	(261)
Utilities	85,000	85,000	100,816	(15,816)
Other	4,000	4,000	4,569	(569)
Total expenditures	<u>237,300</u>	<u>237,300</u>	<u>248,537</u>	<u>(11,237)</u>
Net change in fund balance	2,500	2,500	33,899	31,399
Fund balance, beginning of year	<u>93,960</u>	<u>93,960</u>	<u>93,960</u>	<u>-</u>
Fund balance, end of year	<u>\$ 96,460</u>	<u>\$ 96,460</u>	<u>\$ 127,859</u>	<u>\$ 31,399</u>

Note to required supplementary information

Budgets and Budgetary Accounting

The Authority adopts an annual budget for the General fund following the GAAP basis of accounting. Unexpended appropriations lapse at year-end.