

**FREMONT COMMUNITY RECREATION AUTHORITY
NEWAYGO COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2018**

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Authority Board
Fremont Community Recreation Authority
Newaygo County
Fremont, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of Fremont Community Recreation Authority, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority'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 an opinion 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 Authority'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 Authority'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.



Independent Auditors Report (Continued)

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Fremont Community Recreation Authority as of December 31, 2018, and the respective changes in financial position for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 & 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operation, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the 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.

H & S Companies, P.C.

H & S Companies, P.C.
Fremont, Michigan
June 25, 2019

FREMONT COMMUNITY RECREATION AUTHORITY

Management's Discussion and Analysis For the Year Ended December 31, 2018

As management of Fremont Community Recreation Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2018. Please read it in conjunction with the Authority's financial statements.

FINANCIAL HIGHLIGHTS

- 1) The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$3,736,275 (net position). This represents an investment in capital assets of \$3,765,788 and a deficit unrestricted net position of (\$29,513). The Authority is using a newly implemented property tax millage to reduce the deficit and fund operations.
- 2) As of the close of the current fiscal year, the Authority's governmental fund reported an ending fund balance deficit of (\$28,103). The deficit was increased from the prior year by \$11,922 due to an increase in expenditures mainly from utilities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to Fremont Community Recreation 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. This report also contains required supplementary information in addition to the basic financial statements themselves.

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 and 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 government'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. Both of the government-wide financial statements distinguish functions of the Authority that are principally supported by taxes and intergovernmental 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 governmental activity of the Authority is recreation and culture. Fremont Community Recreation Authority does not have any 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 state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority utilizes a single governmental fund (general fund).

Management's Discussion and Analysis (Continued)

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 balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government'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 government'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 facilitate this comparison between governmental funds and governmental activities.

The Authority adopts an annual appropriated budget for its General Fund. Budgetary comparison statements have been provided for this fund to demonstrate compliance with this budget.

NOTES TO THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Fremont Community Recreation Authority, assets exceeded liabilities by \$3,736,275 at December 31, 2018.

The majority of the Authority's net position is represented by its investment in fixed assets \$3,765,788.

The following table illustrates and summarizes the net position for the Authority. This condensed information was derived from the government-wide statement of net position:

	Governmental Activities	
	2018	2017
Current Assets	\$ 70,440	\$ 80,995
Noncurrent Assets	3,765,788	3,768,248
Total Assets	3,836,228	3,849,243
Current Liabilities	98,543	100,099
Long-Term Liabilities	1,410	1,410
Total Liabilities	99,953	101,509
Net Position		
Net Investment in Capital Assets	3,765,788	3,768,248
Unrestricted	(29,513)	(20,514)
Total Net Position	\$ 3,736,275	\$ 3,747,734

Management's Discussion and Analysis (Continued)

The following table illustrates and summarizes the results of the changes in the net position for the Authority. The condensed information was derived from the government-wide statement of activities:

	Governmental Activities	
	2018	2017
Program Revenues		
Charges for Services	\$ 58,939	\$ 61,475
Operating grants and contributions	89,115	23,771
General Revenues		
Property Taxes	130,610	126,760
Rents	121,408	108,641
Other	3,678	11,840
Total Revenues	403,750	332,487
Expenses		
Recreation & Culture	415,209	415,668
Total Expenses	415,209	415,668
Change in Net Position	\$ (11,459)	\$ (83,181)

GOVERNMENTAL ACTIVITIES

Governmental activities decreased the Authority's net position by \$11,459 in this fiscal year, which is an indicator of financial loss mainly due to increase in utilities.

The revenue from taxes amounted to \$130,610. The Authority levied .5000 mills for operating

The cost of the Authority's programs for the current fiscal year totaled \$412,749. All of the expenses related to culture and recreation services.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

The focus of the Authority's governmental fund (general fund) 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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Authority's governmental funds reported ending fund balance deficit of (\$28,103), unassigned fund balance deficit of (\$32,494), and assigned fund balance of \$2,240. The remainder of fund balance, \$2,151, is not available for new spending because it is classified as non-spendable at the end of the fiscal year.

General Fund

The General Fund had an decrease in fund balance of \$11,922 bringing the total fund balance deficit to (\$28,103).

General fund expenditures increased during the year, the most notable change was related to utilities which increased \$22,149 during 2018.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Authority amended the general fund budgeted expenditures during the year to reflect increased costs experienced during the year. Amendments affected individual budget line items, as well as expenditures in total. Increased costs occurred to cover the payment to Fremont Public Schools for past utility payments.

By year-end, the Authority was unfavorable against budget by \$27,922. Property tax revenue fell short of the budgeted amount by approximately \$9,390 and rental income fell short by approximately \$4,192. Utilities were over budget by \$18,586, Repairs & Maintenance by \$5,835, Capital Outlay by \$89,702.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Authority's investment in capital assets for its governmental activities as of December 31, 2018, amounted to \$3,765,788 (net of accumulated depreciation).

Capital assets summarized below include any items purchased with a cost greater than \$1,000 individually and that have a useful life greater than three years:

	<u>12/31/2018</u>	<u>12/31/2017</u>
Land	\$ 200,000	\$ 200,000
Buildings & Improvements	3,798,214	3,702,495
General Equipment	9,095	9,095
	<u>4,007,309</u>	<u>3,911,590</u>
Less Accumulated Depreciation	<u>(241,521)</u>	<u>(143,342)</u>
Net Capital Assets	<u>\$ 3,765,788</u>	<u>\$ 3,768,248</u>

Debt Administration

At the end of the current fiscal year, the Authority had total debt outstanding of \$51,265 consisting of: \$40,000 due to City of Fremont for start up funds, due in \$10,000 increments annually; and \$11,265 due to Fremont Public Schools for utilities with \$11,265 due in 2019.

The Authority's total debt decreased by \$20,000 during the current fiscal year.

DEFICIT REDUCTION PLAN

The Authority is currently under a plan to reduce the deficit in their General Fund by the end of 2019. The plan was enacted in 2016 starting with a deficit fund balance of \$30,202. The plan consisted of obtaining a property tax millage and increasing available rental space. As of December 31, 2018, the Authority has a fund balance of (\$28,103), under the required amount.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Authority's General Fund is comprised of four major revenue sources, property taxes, program fees, membership fees and rental income. Those four sources comprised 95% of the General Fund's revenue sources. In the next fiscal year, the Authority expects these four revenue sources to decrease by approximately \$52,270. The authority also expects expenditures to decrease by \$58,816 with the majority coming from Membership Supervisor & MRS and Utilities.

REQUESTS FOR INFORMATION

This financial report is intended to provide a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Authority Director Thomas Elmer at 201 E Maple St, Fremont, MI 49412; or 231-924-3750; or telmer@fremontcra.org.

FREMONT COMMUNITY RECREATION AUTHORITY

Governmental-Wide Statement of Net Position December 31, 2018

	<u>Governmental Activities</u>
Assets	
Cash	\$ 12,120
Taxes Receivable	56,169
Prepays	2,151
Land	200,000
Property and Equipment	3,807,309
Accumulated Depreciation	<u>(241,521)</u>
 Total Assets	 3,836,228
Liabilities	
Accounts Payable	17,002
Due to Other Governments	51,265
Accrued Payroll Liabilities	5,276
Line of Credit	25,000
Accrued Compensated absences	<u>1,410</u>
 Total Liabilities	 <u>99,953</u>
Net Position	
Net Investment in Capital Assets	3,765,788
Unrestricted	<u>(29,513)</u>
 Total Net Position	 <u><u>\$ 3,736,275</u></u>

FREMONT COMMUNITY RECREATION AUTHORITY

Governmental-Wide Statement of Activities
For the Year Ended December 31, 2018

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Primary Government				
Recreation and Culture	\$ 415,209	\$ 58,939	\$ 89,115	\$ (267,155)
Total Primary Government	<u>\$ 415,209</u>	<u>\$ 58,939</u>	<u>\$ 89,115</u>	<u>(267,155)</u>
General Revenues				
Property Taxes				130,610
Rental Income				121,408
Other				<u>3,678</u>
Total General Revenues				<u>255,696</u>
Change in Net Position				(11,459)
Net Position - Beginning of Year				<u>3,747,734</u>
Net Position - End of Year				<u>\$ 3,736,275</u>

FREMONT COMMUNITY RECREATION AUTHORITY

Governmental Fund Balance Sheet
December 31, 2018

	<u>General Fund</u>
Assets	
Cash	\$ 12,120
Taxes Receivable	56,169
Prepays	<u>2,151</u>
Total Assets	<u><u>\$ 70,440</u></u>
Liabilities	
Accounts Payable	\$ 17,002
Line of Credit	25,000
Due to Other Governments	51,265
Accrued Payroll Liabilities	<u>5,276</u>
Total Liabilities	98,543
Fund Balances	
Assigned	2,240
Nonspendable	2,151
Unassigned	<u>(32,494)</u>
Total Fund Balances	<u><u>(28,103)</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 70,440</u></u>

FREMONT COMMUNITY RECREATION AUTHORITY

Reconciliation of the Balance Sheet of the
Governmental Fund to the Statement of Net Position
For the Year Ended December 31, 2018

Total Governmental Fund Balances \$ (28,103)

Total net position reported for governmental activities in the statement of net position are different from the amount reported as total governmental funds fund balance because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of Net Position:

Governmental Capital Asset	4,007,309
Governmental Accumulated Depreciation	(241,521)

Certain liabilities, such as compensated absences, are not due and payable in the current period, and therefore are not reported in the funds.

Compensated Absences	<u>(1,410)</u>
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Total Net Position - Governmental Activities:	<u><u>\$ 3,736,275</u></u>
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FREMONT COMMUNITY RECREATION AUTHORITY

Governmental Fund Statements of Revenues, Expenditures,
and Changes in Fund Balance
For the Year Ended December 31, 2018

	<u>General Fund</u>
Revenues	
Property Taxes	\$ 130,610
Contributions	89,115
Program Fees	43,773
Membership Fees	13,679
Rental Income	121,408
Sales	1,487
Other Income	<u>755</u>
 Total Revenues	 400,827
 Expenditures	
Culture and Recreation	<u>412,749</u>
 Total Expenditures	 <u>412,749</u>
 Excess Revenue Over Expenditures	 (11,922)
 Fund Balance - Beginning of Year	 <u>(16,181)</u>
 Fund Balance - End of Year	 <u><u>\$ (28,103)</u></u>

FREMONT COMMUNITY RECREATION AUTHORITY

Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balance of the Governmental Fund to the Statement of Activities
For the Year Ended December 31, 2018

Net Change in Fund Balances - Total Governmental Funds		\$	(11,922)
Amounts reported for governmental activities in the statement of activities are different because:			
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds			2,923
The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense			
Capital outlay reported in governmental fund statements	95,719		
Depreciation expense reported in the statement of activities	<u>(98,179)</u>		(2,460)
Changes in Net Position - Governmental Activities		<u>\$</u>	<u>(11,459)</u>

FREMONT COMMUNITY RECREATION AUTHORITY

Notes to the Financial Statements
For the Year Ended December 31, 2018

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fremont Community Recreation Authority provides a broad spectrum of quality recreational sport and wellness programs and services to the Fremont Community and surrounding communities that encourages healthy lifestyles and enhance personal development through participation and leadership opportunities. They are governed by a council of 9 representatives from the City of Fremont, Sheridan and Dayton Townships, and the surrounding communities.

The accounting policies of Fremont Community Recreation Authority (the "Authority") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by the Authority.

A. Reporting Entity

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.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all activities of the primary government. Governmental activities, normally supported by taxes 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 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. Other items not properly included among program revenues are reported instead as general revenue.

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.

Deferred inflows of resources- The statement of net position and governmental funds balance sheet include a separate section for deferred inflow of resources, if applicable. This separate financial statement element reflects an increase in net position that applies to a future period. The related revenues will not be recognized until a future event occurs.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected 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 except expenditure-driven grants which must be collected within one year. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is when they become both measurable and available to finance expenditures of the fiscal period.

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Fund Balance

Bank Deposits and Investments - Cash is considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund based on the cash balance in each fund.

Receivables - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaids in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include property, plant and equipment, are reported in the applicable 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 three 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 of donation.

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

Depreciation of all exhaustible capital assets used is charged as an expense against operations in the government-wide statements. Accumulated depreciation is reported on the government-wide statement of net position.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	20 to 60 years
Building Improvements	15 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
General Equipment	5 to 10 years

Property Taxes - Property taxes are levied on December 1st based on the taxable valuation of the property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year. The Townships and City bill and collect the property taxes. The 2018 taxable value was \$282,442,935. The Authority levied .5 mill for July 1 and December 1 of 2018. They received a total income from taxes of \$130,610 in 2018.

Unearned Revenue - During the course of normal operations, the Authority receives payment for future services. These amounts collected are classified as unearned revenues.

Due to/Due From Other Governments - Through June 30, 2016, the City of Fremont, Michigan (the "City"), as fiduciary for the Authority, made disbursements on behalf of the Authority for general operating expenditures. When operations were turned over to the Authority at the end of June 2016, the City loaned the Authority \$60,000 to cover operating expenses and provide start-up cash. The balance outstanding as of December 31, 2018, was \$40,000.

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position - Net position represents the difference between assets and deferred outflows of resources, less liabilities and deferred inflows of resources. The Authority reports three categories of net position, as follows: (1) Net investment in capital assets consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets, and increases by balances of deferred outflows of resources related to those assets; (2) Restricted net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws or buyers of the Authority's debt. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets; (3) Unrestricted net position consists of all other net position that does not meet the definition of the above components and is available for general use by the Authority.

Fund Balance - In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable - Includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted - Includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed - Includes amounts that can only be used for specific purposes determined by a formal action by Board resolution. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (Board resolution) that was employed when the funds were initially committed.

Assigned - Includes amounts a government intends to use for a specific purpose. Intent can be expressed by the Board or by an official or body to which the Board delegates the authority.

Unassigned - Includes amounts that are available for any purpose. Positive amounts are only reported in the General Fund.

When the Authority incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

As of December 31, 2018, fund balances are composed of the following:

	General Fund
Nonspendable:	
Prepays	\$ 2,151
Assigned:	
Pickleball	2,240
Unassigned	<u>(32,494)</u>
 Total Fund Balances	 <u>\$ (28,103)</u>

NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The Authority approves its originally adopted budget by the end of the current fiscal year. Amendments are approved periodically during the year.

NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

The budget document presents information by fund, activity, and line items. The legal level of budgetary control adopted by the governing body is the activity level.

The Authority does not utilize encumbrance accounting.

Excess of Expenditures Over Appropriations in Budgeted Funds - P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. Budget appropriations are considered to be spent once the goods are delivered or services rendered. The following are considered material budget over expenditures:

	<u>Budget</u>	<u>Actual</u>	<u>Over Expenditure</u>
Capital Outlay	\$ -	\$ 89,702	\$ 89,702
Repairs & Maintenance	10,000	15,835	5,835
Utilities	100,000	118,586	18,586

Deficit Fund Balance - The deficit balance in the General Fund is primarily the result of insufficient assets to fund start up costs that the Authority had to expend during 2016. The Authority has implemented a number of strategies to reduce the deficit, including collection of property tax revenues beginning in 2017 as a result of voter approved millage. The Authority has also filed a deficit elimination plan with the State of Michigan to eliminate the fund deficit by 2019.

As of December 31, 2018, the deficit had been increased by \$11,922 to \$(28,103).

NOTE C CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Authority to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Authority is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds, securities, and other obligations of the United States government, bank accounts and CD's, of United States banks, money market mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 USC 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation and authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share, investment pools, and repurchase agreements listed above, but not the remainder of State statutory authority as listed above.

The Authority's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>
Cash	<u>\$ 12,120</u>

Custodial credit risk - The risk that, in the event of the failure of a financial institution, the Authority will not be able to recover its deposits. The Authority's investment policy addresses the risk by limiting investments to the safest types of securities; pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the Authority does business with; and diversifying the investment portfolio so that potential losses on individual securities will be minimized. At December 31, 2018, none of the Authority's bank balances of \$12,120 was exposed to custodial credit risk.

Fremont Community Recreation Authority
Notes to the Financial Statements (Continued)

NOTE D RECEIVABLES

Receivables as of December 31, 2018 consist of \$56,169 due from property tax assessments for the Authority's General Fund and \$20,871 due from outstanding rentals. All property tax amounts are considered fully collectible therefore no allowance for uncollectible considered necessary, however, no subsequent collection of rental receivables has occurred and is deemed not collectible and full amount has been added to allowance account.

NOTE E CAPITAL ASSETS

Capital asset activity of the primary government of the current year was as follows:

Governmental Activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not being depreciated				
Land	\$ 200,000	\$ -	\$ -	\$ 200,000
Capital Assets Being Depreciated				
Buildings & Improvements	3,702,495	95,719	-	3,798,214
General Equipment	9,095	-	-	9,095
Subtotal	<u>3,711,590</u>	<u>95,719</u>	<u>-</u>	<u>3,807,309</u>
Less Accumulated Depreciation for				
Buildings & Improvements	136,066	96,360	-	232,426
General Equipment	7,276	1,819	-	9,095
Subtotal	<u>143,342</u>	<u>98,179</u>	<u>-</u>	<u>241,521</u>
Net Capital Assets being depreciated	<u>3,568,248</u>	<u>(2,460)</u>	<u>-</u>	<u>3,565,788</u>
Total Governmental Activities Capital Capital Assets - Net of Depreciation	<u>\$ 3,768,248</u>	<u>\$ (2,460)</u>	<u>\$ -</u>	<u>\$ 3,765,788</u>

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

Governmental Activities	
Recreation & Culture	<u>\$ 98,179</u>

NOTE F COMPENSATED ABSENCES

The following is a summary of compensated absences for the year ended December 31, 2018:

Governmental Activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated Absences	<u>\$ 1,410</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,410</u>	<u>\$ -</u>

For the governmental activities, compensated absences are liquidated by the general fund.

NOTE G LEASES (AS LESSOR)

Lease Agreement - Under the Sun Child Care

On July 5, 2018, the Authority entered into two lease agreements with Under the Sun Child Care Center, LLC for the use of "Room #RC-1" and "Kitchen" for the period ending August 31, 2020. Annual rents equal \$3,600 and \$6,000 receivable in monthly installments of \$300 and \$500 respectively. As of August 31, 2018, Under the Sun Child Care Center was not current on rents amounting to \$3,200.

NOTE G LEASES (CONTINUED)

Lease Agreement - Northpointe Gymnastics

On January 19, 2017 the Authority entered into a lease agreement for the use of the "Community Room" in the Recreation Center and surrounding hallway and restroom areas to NorthPointe Gymnastics, LLC. The monthly rent of \$3,300 is due the 1st of the month through the end of the lease term on December 31, 2021. Additionally, the tenant shall reimburse the Authority for any increase in utility fees for use of the air conditioning system. As of August 31, 2018, Northpointe Gymnastics was not current on rents or utility reimbursements amounting to \$17,471.

Lease Agreement - Family Fitness

On September 1, 2016 the Authority entered into a lease agreement of the "Weight Room" in the Recreation Center and surrounding hallways, rooms and restroom areas to Family Fitness at the Rec, Inc. The monthly rent of \$3,000 is due the 1st of each month. The base rent increases to \$4,000 each month in 2018 and increases by annual CPI each year until August 31, 2021. The tenant has also agreed to pay an annual stipend equal to 10% of the Rec Director's annual salary each contract year for general maintenance supervision. The stipend is due March 1st of each year of the contract and estimated at \$4,000 per year.

Annual Rental income on the Family Fitness lease is as follows (assuming 2% CPI increases):

Year Ending December 31,	
2019	\$ 48,960
2020	49,939
2021	50,938
	<u>\$ 149,837</u>

NOTE H RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets and omissions; injuries to employees; and natural disasters for which the Authority carries commercial insurance. The Authority has no settled claims resulting from these risks that exceeded its commercial coverage.

NOTE I EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Individual Retirement Account

The Authority contributes each year to an Individual Retirement Account. The account is in the name of the Director, who directs the investments of the account. The Authority contributed \$3,932 to this account in 2018.

NOTE J SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to December 31, 2018, the most recent balance sheet presented herein, through June 25, 2019, the date these financial statements were available to be issued. No significant such events or transactions were identified.

FREMONT COMMUNITY RECREAITON AUTHORITY

Required Supplementary Information
 Budgetary Comparison Schedule for General Fund
 For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variance to Final Budget
	Original	Final		
Beginning Fund Balance	\$ (16,181)	\$ (16,181)	\$ (16,181)	\$ -
Resources (Inflows)				
Property Taxes	140,000	140,000	130,610	(9,390)
Contributions:	4,000	4,000	89,115	85,115
Program Fees	42,700	42,700	43,773	1,073
Membership Fees	20,000	20,000	13,679	(6,321)
Rental Income	125,600	125,600	121,408	(4,192)
Sales	5,500	5,500	1,487	(4,013)
Other Income	-	-	755	755
Amounts Available for Appropriation	321,619	321,619	384,646	63,027
Charges to Appropriations (Outflows)				
Culture and Recreation				
Salaries and Wages	145,100	145,100	127,979	17,121
Supplies	28,500	28,500	27,813	687
Repairs & Maintenance	10,000	10,000	15,835	(5,835)
Contracted Services	22,500	22,500	14,159	8,341
Insurance and services	9,000	9,000	9,354	(354)
Cost of Goods Sold	-	-	2,320	(2,320)
Utilities	100,000	100,000	118,586	(18,586)
Lease	-	-	188	(188)
Other	5,700	5,700	6,813	(1,113)
Capital Outlay	-	-	89,702	(89,702)
Transfer Out - FPS	1,000	1,000	-	1,000
Total General Government	321,800	321,800	412,749	(90,949)
Total Charges to Appropriations	321,800	321,800	412,749	(90,949)
Budgetary Fund Balance - Ending	\$ (181)	\$ (181)	\$ (28,103)	\$ (27,922)