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# Recreational Authority of Roseville and Eastpointe

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**Financial Report  
with Supplemental Information  
June 30, 2018**

# Recreational Authority of Roseville and Eastpointe

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November 12, 2018

To the Board of Trustees, Residents of the Roseville  
and Eastpointe Authority Community

**Letter of Transmittal**

We are submitting herewith the financial report of the Recreation Authority of Roseville and Eastpointe (the "Authority") as of and for the year ended June 30, 2018. It is the responsibility of Authority management to present fairly, with full disclosure and in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Authority's funds. The annual financial report contains necessary disclosures useful in providing an understanding of the individual funds and full accrual financial statements. Pursuant to that requirement, we hereby issue the annual financial report of the Recreation Authority of Roseville and Eastpointe as of and for the year ended June 30, 2018. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management.

To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the funds and of the Authority. All disclosures necessary to enable the reader to gain an understanding of the Authority's activities have been included.

Plante & Moran, PLLC has issued an unmodified "clean" opinion on the Authority's financial statements as of and for the year ended June 30, 2018. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (the "MD&A") immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

State law requires that all local governmental units, including authorities such as the Recreation Authority of Roseville and Eastpointe, publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

The Authority is a special district form of government operating independently of all other governmental agencies. It provides a full range of recreational activities to the residents of Roseville and Eastpointe. The purpose of the Authority is to provide recreational services and construct, operate, maintain, and/or improve recreational facilities, including but not limited to

parks, swimming pools, recreation centers, auditoriums, and any other facilities authorized by Section 5 of Act 321 of the State of Michigan.

### **Governmental Structure, Local Economic Condition, and Outlook**

The Authority was sanctioned by Public Act 321 as a metropolitan district for planning, promoting, acquiring, constructing, owning, developing, maintaining, and operating, either within or without its limits, parks connecting drives and/or limited access highways and to provide for the assessment, levy, and collection of property taxes on both real and personal properties located within its boundaries. A referendum was held on November 8, 2011 on the proposed Authority. The citizens of the cities of Roseville and Eastpointe approved the creation of a one mill levy for a period of 20 years for Authority operations.

The governing body of the Authority is a five-member Board of Trustees. Two trustees are appointed from the legislative bodies of Roseville and Eastpointe, who then appoint a trustee at large for terms of three years. Public meetings of the Board of Trustees are held on the second Wednesday of each month. The Board of Trustees is responsible, among other things, for setting policy; adopting the budget; setting fees; approving contracts, land acquisitions, and expenditures; planning new recreational services facilities, and appointing three staff officers: an executive director, a program director, and a senior director. Administrative and fiscal management services including accounting, payroll and risk management are provided by agreement from the City of Roseville.

The Executive Director is responsible for carrying out the policies of the Board of Trustees, overseeing the day-to-day operations of the recreation services system, hiring all employees, and approving all purchase commitments of the Authority. The Executive Director is also the Executive Secretary and keeps minutes of all Board of Trustee meetings, is the official custodian of all records of the Authority, coordinates the recording of all property owned by the Authority, and certifies all payment vouchers prior to approval by the Board of Trustees. The Controller of Roseville is responsible for maintaining all financial accounting records of the Authority; collecting all revenues due to the Authority; investing all Authority funds; issuing payment vouchers for goods, services, and payrolls; and maintaining property/casualty insurances under the present agreement between the Authority and the City of Roseville.

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the local economic environment in which the Authority operates.

### **Regional Profile and Economic Conditions**

The Authority encompasses the City of Roseville and the City of Eastpointe and is located near the southeast corner of Macomb County, adjacent to the southern boundary of Macomb County and north of the city of Detroit. Freeway access to the southeast Michigan region is provided by Interstate-94 (I-94) and Interstate-696 (I-696). In addition, regional access is available using the bus system of the Suburban Mobility Authority for Regional Rapid Transit (SMART) system. Both the cities of Roseville and Eastpointe have grown and prospered significantly as two of southeastern Michigan's earliest and strongest suburban communities.

The Authority was created by the municipalities of Roseville and Eastpointe and services the territories of these two established traditional yet forward-thinking communities. Both Roseville and Eastpointe continue to welcome residents, businesses, and visitors alike to enjoy vibrant and diverse community lifestyles. The Authority is ideally located in southeastern Michigan, within Macomb County, and proud of the initiative to “Make Macomb Your Home.” Roseville and Eastpointe provide a full range of services to residents, visitors, and the business community and are conveniently located for employers and employees alike.

With 60 percent of voters taxing themselves in 2011 with an additional millage of \$1.00 per thousand of taxable value to fund the Authority, it is clear that quality of life and services to young, old, and those of special needs is in the community culture of the joint cities. The residents’ action supporting the initiative to collaborate and join recreation departments indicates they are willing to pay for and improve their communities and make sure that the “sense of place” in Roseville and Eastpointe is alive and well.

Like most communities, in recent years, the cities of Roseville and Eastpointe have experienced double-digit declines in market values on its real and personal properties. Unfortunately, even as the housing market struggles to recover under Proposal A, taxable value losses will be slow to recoup due to the mandated inflationary cap on property assessments. No matter the rate of increase, it will take significant future years to restore any municipality to its prior funding level. As evidenced by a reduction in property values to tax at the one mill rate, the challenges of revenue will be a prominent issue for the continuation of operations of the Authority. The Authority will adhere to a multi-year financial plan to address the challenges of revenue reduction and increase program income along with seeking additional grant funding sources.

### **Major Achievements and Result of Operations for 2017-2018**

The seventh year of the newly formed authority was not without challenges. Some financial challenges will remain in the foreseeable future. Despite the expected and some unexpected challenges, there were significant achievements in 2017-2018, with more anticipated in the years ahead.

- Implemented an online registration system for residents and credit card payment acceptance as an enhancement of service to the residents
- Continued enhancements within the Recreation Authority Center building on Sycamore including fitness equipment additions, additional surveillance cameras, including audio
- Continued sponsorship and enhancement of the "Sizzlin' Summer Nights" event by adding activities for residents as it has proven to be a successful annual event in the City of Eastpointe
- Successfully vacated Boulder Avenue just north of Eight mile road and purchased the adjoining lots that were given to the adjacent landowners from this process, enabling us to complete the sale of the Eastpointe Community Center on Eight Mile
- Budgeted for a full-time Office Manager to improve service to residents and add efficient procedures to the office
- Continue to cooperate with the Roseville Community Schools and the Eastpointe Public Schools to share resources and maintain low program costs for residents
- Implemented open swim and water aerobics programs utilizing the Eastpointe High School pool

- Continue to plan, promote and schedule our successful “Vendor Show & Tastefest” allowing local merchants to sell items and local restaurants to feature their menu items to residents
- Restructured the gymnastics program by adding “Tiny Tumblers Gymnastics” which has resulted in increased participation

In 2017-2018, the Authority established several objectives to be accomplished in the next fiscal year that will have a material impact on services and financial planning including:

- Continuing to redefine the organization and improve full cost recovery program objectives by evaluating programs and special events to provide a variety of recreational opportunities that appeal to the residents of Eastpointe and Roseville
- Continuing to follow a multi-year capital equipment and facilities improvement plan that includes senior van maintenance, replacing older vehicles, yard expansion, van shelter installation, and other handicapped bus service enhancements
- Continue working with the City of Eastpointe to implement improvement to the facilities at Eastpointe Memorial Park prior to establishing a concession agreement to operate facilities in Eastpointe and Roseville during sporting events
- Continue to seek sponsors for the Authority’s various programs and events

### **The Reporting Entity and Services Provided**

The Authority has defined its financial reporting entity in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB).

### **Financial Information**

Management of the Authority is responsible for establishing and maintaining internal controls designed to ensure that the assets of the Authority are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe the Authority’s internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The Authority adopted a balanced fiscal year 2017-2018 General Fund budget. During the year, RARE utilized approximately \$108,000 from fund balance but transferred approximately \$94,000 to the Capital Projects Fund. The slow rebound in taxable values in both cities limited by Proposal A continues to impact the Authority’s budget and will seriously affect operations in the future. However, with cost control initiatives put in place including the continued reliance on part-time staff as well as modifications to the operations of existing programs, the use of the unreserved fund balance should be avoided for several fiscal years to come. The planning and

operations of the physical buildings and facilities of the Authority will significantly affect the five-year fiscal plan and, accordingly, each budget year ahead.

### **Budgeting Controls**

In accordance with state law, the Authority's budget is prepared on the modified accrual basis for governmental-type funds, and its accounting records are also maintained on that basis. Under modified accrual accounting, revenues are recorded when they are both measurable and available. Expenditures are recorded when a liability is incurred, except for interest on long-term debt.

The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Authority's governing body. Activities of the General Fund are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the program unit level for the General Fund. However, for internal accounting purposes, budgetary control is maintained by object class (line account) for all funds. The City of Roseville, on behalf of the Authority, also maintains an encumbrance accounting system as one technique of accomplishing budgetary control.

Purchase orders that would create an over-encumbrance are not written until additional appropriations are available. Encumbered accounts lapse at year end. However, any encumbrances outstanding at June 30, 2018 are reported as reservations of fund balance.

As demonstrated by the statements and schedules included in the financial section of this report, the Authority has met and will continue to meet its financial management responsibilities.

### **Acknowledgments**

The timely preparation of this report could not have been accomplished without the efficient and dedicated services of the staff of the Roseville Controller's Department and our independent auditors, Plante & Moran, PLLC, certified public accountants. We express our appreciation to all members of the city departments we partnered with that assisted and contributed to operations. In closing, without the leadership and support of the Board of Trustees, this report would not have been possible.

Sincerely,

Anthony J. Lipinski  
Executive Director

## **Independent Auditor's Report**

To the Members of the Board  
Recreational Authority of Roseville and Eastpointe

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the General Fund, and the Capital Projects Fund of the Recreational Authority of Roseville and Eastpointe (the "Authority") as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Recreational Authority of Roseville and Eastpointe's financial statements, as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the General Fund, and the Capital Projects Fund of the Recreational Authority of Roseville and Eastpointe as of June 30, 2018 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Members of the Board  
Recreational Authority of Roseville and Eastpointe

**Other Matters**

*Required Supplemental Information*

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements. The letter of transmittal is presented for purposes of additional analysis and is not a required part of the financial statements. The letter of transmittal has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Plante & Moran, PLLC*

November 12, 2018

# Recreational Authority of Roseville and Eastpointe

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## Management's Discussion and Analysis

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As management of the Authority, we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, the financial statements, and the notes to the financial statements.

### **Overview**

The Authority was incorporated by the City Council of Roseville on August 9, 2011 and the City Council of Eastpointe on August 16, 2011 and operationalized in the November 8, 2011 election, whereby voters in both Roseville and Eastpointe approved a levy of one mill (\$1 per thousand of taxable value) by an average of nearly 60 percent "yes" votes. Funded operations of the Authority began on January 1, 2012. The emphasis of the Authority's third annual budget and five-year plan is to provide senior recreation and transportation services and programs for youth and adult participation. The Authority's buildings, acquired at incorporation, are located at 18185 Sycamore in Roseville, Michigan and 16435 Eight Mile Road in Eastpointe, Michigan. During the fiscal year ended June 30, 2018, the building located at 16435 Eight Mile Road was sold.

### **Using this Annual Report**

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplemental information. The basic financial statements include information that presents two different views of the Authority:

- The first column of the financial statements includes information on Authority's General Fund under the modified accrual method. This fund financial statement focuses on current financial resources and provides a more detailed view about the accountability of Authority's sources and uses of these funds.
- The second column of the financial statements includes information on the Authority's Capital Projects Fund under the modified accrual method. This fund financial statement focuses on current financial resources available for capital purchases.
- The adjustments column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method.
- The fourth column is the government-wide financial statement column. This column provides both long-term and short-term information about the Authority's overall financial status. The statements of net position and activities provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances. These statements tell how the Authority was financed in the short term, as well as what remains for future spending

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

# Recreational Authority of Roseville and Eastpointe

## Management's Discussion and Analysis (Continued)

### Authority's Net Position

	Governmental Activities			
	2017	2018	Change	Percent Change
<b>Assets</b>				
Other assets	\$ 1,891,182	\$ 1,607,134	\$ (284,048)	(15.0)
Capital assets	5,136,253	4,183,268	(952,985)	(18.6)
Total assets	7,027,435	5,790,402	(1,237,033)	(17.6)
<b>Liabilities</b>				
Current liabilities	404,653	235,824	(168,829)	(41.7)
Noncurrent liabilities	1,262,166	918,470	(343,696)	(27.2)
Total liabilities	1,666,819	1,154,294	(512,525)	(30.7)
<b>Net Position</b>				
Net investment in capital assets	3,879,739	3,282,389	(597,350)	(15.4)
Unrestricted	1,480,877	1,353,719	(127,158)	(8.6)
Total net position	<u>\$ 5,360,616</u>	<u>\$ 4,636,108</u>	<u>\$ (724,508)</u>	(13.5)

### Authority's Changes in Net Position

	Governmental Activities			
	2017	2018	Change	Percent Change
<b>Revenue</b>				
Property taxes:				
Property taxes	\$ 1,289,631	\$ 1,309,863	\$ 20,232	1.6
State sources	38,108	68,378	30,270	79.4
Charges for services to external parties	442,863	423,514	(19,349)	(4.4)
SMART operating credits	175,477	172,810	(2,667)	(1.5)
Other revenue	34,377	24,474	(9,903)	(28.8)
Total revenue	1,980,456	1,999,039	18,583	0.9
<b>Program Expenses - Recreation</b>	1,930,410	2,056,413	126,003	6.5
<b>Other Financing Uses - Loss on sale of capital assets</b>	-	(667,134)	(667,134)	-
<b>Change in Net Position</b>	50,046	(724,508)	(774,554)	(1,547.7)
<b>Net Position - Beginning of year</b>	5,310,570	5,360,616	50,046	0.9
<b>Net Position - End of year</b>	<u>\$ 5,360,616</u>	<u>\$ 4,636,108</u>	<u>\$ (724,508)</u>	(13.5)

The Authority's total net position at June 30, 2018 was \$4,636,108, including approximately \$3.3 million in capital assets. The Authority's governmental revenue totaled \$1,999,039, of which \$1,309,863, or 66 percent, was supported by property taxes levied on both real and personal properties located within the Authority's boundaries. Program revenue generated from recreation programs and rental fees totaled \$423,514, or 21 percent. The remaining 13 percent, or \$265,662, was generated from the following activities: \$172,810 from SMART operating revenue, \$68,378 from state sources and \$24,474 from vending machine revenue, rent, and other miscellaneous sources. The Authority's government wide expenditures totaled \$2,056,413, of which \$998,253, or 49 percent, is attributed to personnel related expenditures. Program operating supplies, professional services, and administrative fees represent 29 percent of total governmental expenditures, or \$463,015. Utilities and building related expenditures represent 29 percent, or \$595,145, of total expenditures incurred. At year end, the Authority utilized approximately \$725,000 of its net position primarily due to the sale of one of its two buildings where the proceeds were evenly split between the cities of Roseville and Eastpointe.

## **Recreational Authority of Roseville and Eastpointe**

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### **Management's Discussion and Analysis (Continued)**

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#### **General Fund Budgetary Highlights**

The Authority's administration monitors and amends the budget to take into account unanticipated expenditures that were incurred during the year. The Authority adopted a balanced budget for fiscal year 2017-2018. The budget was formally amended twice for fiscal year 2018. A budgetary comparison statement has been provided herein to demonstrate compliance with this budget. At year end, actual revenue was \$18,373 greater than the amended budgeted amounts. Actual expenditures were approximately \$9,000 less than budgeted. The Authority utilized approximately \$0.1 million to its unreserved fund balance in fiscal year 2017-2018. As stated earlier, the main objective of the Authority's sixth annual budget and multi year plan is to provide senior recreation and transportation services and programs for youth and adult participation. However, the mandated inflationary cap on property assessments under Proposal A limits the recovery of losses of taxable property values from prior years in both cities, which seriously affects the Authority's budgets in the future. For fiscal year 2018 and beyond, management has developed a comprehensive multi year financial forecast that will be updated annually as part of the Authority's annual operating budget to ensure adequate financial reserves are maintained.

#### **Capital Assets and Debt Administration**

At the end of 2018, the Authority had \$4.2 million invested in capital assets, including land, buildings, and equipment with related outstanding debt of \$0.9 million. During fiscal year 2011-2012, the member cities transferred approximately \$3.3 million in net assets to the Recreational Authority of Roseville and Eastpointe. The Authority uses these capital assets to provide recreation services to citizens; consequently, these assets are not available for future spending. At inception, the City Councils of Roseville and Eastpointe committed to contribute real and personal property to the Authority limited to the City of Roseville Recreation Center, 18185 Sycamore, Roseville, MI and the City of Eastpointe Community Center, 16435 Eight Mile Road, Eastpointe, MI. During the fiscal year ended June 30, 2018, the building located at 16435 Eight Mile Road was sold and the proceeds were split evenly by each member community. The articles permit any participating municipality to withdraw upon giving one full year's budgetary notice. The articles also address dissolution of the Authority, which requires council resolution from the governing board of the participating communities, at which time all outstanding debt of the Authority is required to be paid in full. Any remaining assets of the Authority would be evenly distributed to the member communities at the time of dissolution. From fiscal year 2013-2014 through fiscal year 2015-2016, the Authority incurred approximately \$3.5 million in building improvement expenditures at the 18185 Sycamore building. During fiscal year 2013-2014, the Authority entered into a loan agreement with the member communities that allows advances up to \$900,000 from each community as needed to fund future building improvement expenditures at this location. At June 30, 2018, the Authority had approximately \$900,000 of outstanding debt, with approximately \$450,000 due to each member community.

#### **Economic Factors and Next Year's Budgets and Rates**

The seventh year of the newly formed Authority was not without challenges. Many financial challenges remain in the foreseeable future. Funding for the Authority is principally supported by property taxes and program revenue. Like most communities, in recent years, the cities of Roseville and Eastpointe have experienced double digit declines in market values on their real and personal properties. For 2019, an increase in taxable value from property assessments in member communities is anticipated. Unfortunately, even as the housing market recovers under Proposal A, taxable value losses from prior years will be slow to recoup due to the mandated inflationary cap on property assessments. No matter the rate of increase, it will take significant future years to restore any municipality to its prior funding level. For fiscal year 2017-2018, taxable value of property subject to the Authority's authorized one mill levy was \$1,314,106,401. For fiscal year 2018-2019, taxable value of property subject to the Authority's authorized one mill levy is assessed at \$1,349,594,909. Despite the increase in property values to tax at the one mill rate, the challenges of revenue will be a prominent issue for the continuation of operations of the Authority. The Authority will adhere to a multi year financial plan to address the challenges of revenue reduction and increase program income along with seeking additional grant funding sources.

## **Recreational Authority of Roseville and Eastpointe**

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### **Management's Discussion and Analysis (Continued)**

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#### **Requests for Further Information**

This financial report is intended to provide our member communities, taxpayers, customers, and potential new members with a general overview of the Authority's finances and demonstrate 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 directly.

# Recreational Authority of Roseville and Eastpointe

## Statement of Net Position/Governmental Fund Balance Sheet

June 30, 2018

	Modified Accrual				Statement of Net Position
	General Fund	Capital Projects Fund	Total Governmental Funds	Adjustments (Note 2)	
<b>Assets</b>					
Cash and cash equivalents (Note 3)	\$ 1,471,734	\$ 58,240	\$ 1,529,974	\$ -	\$ 1,529,974
Receivables:					
Property taxes receivable	13,765	-	13,765	-	13,765
Other receivables	48,503	-	48,503	-	48,503
Prepaid expenses	14,892	-	14,892	-	14,892
Capital assets: (Note 5)					
Assets not subject to depreciation	-	-	-	511,710	511,710
Assets subject to depreciation - Net	-	-	-	3,671,558	3,671,558
<b>Total assets</b>	<b>\$ 1,548,894</b>	<b>\$ 58,240</b>	<b>\$ 1,607,134</b>	4,183,268	5,790,402
<b>Liabilities</b>					
Accounts payable	\$ 115,896	\$ 3,599	\$ 119,495	-	119,495
Accrued liabilities and other	22,350	-	22,350	-	22,350
Unearned revenue	93,979	-	93,979	-	93,979
Noncurrent liabilities:					
Due within one year:					
Compensated absences	-	-	-	11,839	11,839
Current portion of long-term debt (Note 9)	-	-	-	365,539	365,539
Due in more than one year:					
Compensated absences	-	-	-	5,752	5,752
Long-term debt (Note 9)	-	-	-	535,340	535,340
<b>Total liabilities</b>	232,225	3,599	235,824	918,470	1,154,294
<b>Deferred Inflows of Resources</b> - Revenue earned but not collected	14,397	-	14,397	(14,397)	-
<b>Total liabilities and deferred inflows of resources</b>	246,622	3,599	250,221	904,073	1,154,294
<b>Equity</b>					
Fund balances:					
Nonspendable - Prepays	14,892	-	14,892	(14,892)	-
Assigned - Capital improvements	-	54,641	54,641	(54,641)	-
Unassigned	1,287,380	-	1,287,380	(1,287,380)	-
<b>Total fund balances</b>	1,302,272	54,641	1,356,913	(1,356,913)	-
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 1,548,894</b>	<b>\$ 58,240</b>	<b>\$ 1,607,134</b>		
<b>Net Position</b>					
Net investment in capital assets				3,282,389	3,282,389
Unrestricted				1,353,719	1,353,719
<b>Total net position</b>				<b>\$ 4,636,108</b>	<b>\$ 4,636,108</b>

# Recreational Authority of Roseville and Eastpointe

## Statement of Activities/Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2018

	Modified Accrual				Statement of Activities
	General Fund	Capital Projects Fund	Total Governmental Funds	Adjustments (Note 2)	
<b>Revenue</b>					
Taxes:					
Property taxes	\$ 1,311,418	\$ -	\$ 1,311,418	\$ (1,555)	\$ 1,309,863
State sources	106,103	-	106,103	(37,725)	68,378
Charges for services to external parties	423,514	-	423,514	-	423,514
SMART operating credits	172,810	-	172,810	-	172,810
Other revenue	24,474	-	24,474	-	24,474
Total revenue	2,038,319	-	2,038,319	(39,280)	1,999,039
<b>Expenditures</b>					
Salaries and wages	682,511	-	682,511	-	682,511
Fringe benefits	315,362	-	315,362	380	315,742
Operating supplies and sundry	111,865	-	111,865	33,643	145,508
Professional fees, administration fees, training, and other	317,507	-	317,507	-	317,507
Capital outlay	9,447	39,476	48,923	(48,923)	-
Utilities, maintenance, and improvements	232,581	-	232,581	-	232,581
Debt service - Principal	355,634	-	355,634	(355,634)	-
Debt service - Interest on promissory note	29,279	-	29,279	-	29,279
Depreciation expense	-	-	-	333,285	333,285
Total expenditures	2,054,186	39,476	2,093,662	(37,249)	2,056,413
<b>Excess of Expenditures Over Revenue</b>	(15,867)	(39,476)	(55,343)	(2,031)	(57,374)
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	94,117	94,117	(94,117)	-
Transfers out	(94,117)	-	(94,117)	94,117	-
Proceeds from sale of capital asset	380,461	-	380,461	-	380,461
Distribution to Eastpointe and Roseville for sale of capital asset	(378,971)	-	(378,971)	-	(378,971)
Loss on sale of capital asset	-	-	-	(668,624)	(668,624)
Total other financing (uses) sources	(92,627)	94,117	1,490	(668,624)	(667,134)
<b>Net Change in Fund Balances/Net Position</b>	(108,494)	54,641	(53,853)	(670,655)	(724,508)
<b>Fund Balances/Net Position - Beginning of year</b>	1,410,766	-	1,410,766	3,949,850	5,360,616
<b>Fund Balances/Net Position - End of year</b>	<u>\$ 1,302,272</u>	<u>\$ 54,641</u>	<u>\$ 1,356,913</u>	<u>\$ 3,279,195</u>	<u>\$ 4,636,108</u>

June 30, 2018

### Note 1 - Significant Accounting Policies

#### ***Reporting Entity***

The Recreational Authority of Roseville and Eastpointe (the "Authority") was established under Michigan Public Act 321 of 2000. The Authority is governed by an elected five-member council (board). Two members are appointed by the City Council of each participating member community. A neutral fifth member is appointed by the other four members. The Authority constructs, operates, maintains, and/or approves recreational facilities and provides recreational services to the participating cities of Roseville, Michigan and Eastpointe, Michigan. Revenue is derived principally from a property tax levy on each participating community.

#### ***Accounting and Reporting Principles***

The Authority follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the Authority:

#### ***Report Presentation***

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

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

#### ***Fund Accounting***

The Authority accounts for its various activities in two funds, the General Fund and Capital Projects Fund.

#### **Governmental Funds**

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General and Capital Projects Funds. The Authority reports both funds as "major" governmental funds. The General Fund represents the Authority's primary operating fund. It accounts for all financial resources of the Authority, other than those related to capital assets. The Capital Projects Fund accounts for all financial resources related to capital assets and is funded solely by transfers from the General Fund.

#### ***Basis of Accounting***

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

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

Note 1 - Significant Accounting Policies (Continued)

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the Authority considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: current property taxes, charges for services, and SMART operating credits. Conversely, delinquent taxes, grants, and fees will be collected after the period of availability; therefore, receivables have been recorded for these, along with a "deferred inflow."

Specific Balances and Transactions

Cash and Cash Equivalents

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

Prepaid Expenses

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

Capital Assets

Capital assets, which include land, buildings, and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Buildings and equipment are depreciated using the straight-line method over the following useful lives:

Capital Asset Class	Depreciable Life - Years
Buildings and building improvements	20
Machinery and equipment	5-7

Land Use Fee

Included in the utilities, maintenance, and improvements expense line item is \$90,000, which represents land use payments of \$45,000 to each community per the land use agreement.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

The Authority reported no deferred outflows.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The Authority reports deferred inflows related to unavailable revenue in the governmental funds balance sheet.

June 30, 2018

### Note 1 - Significant Accounting Policies (Continued)

#### **Fund Balance Flow Assumptions**

The Authority will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

#### **Fund Balance Policies**

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

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

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

#### **Property Tax Revenue**

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Authority's 2017 property tax revenue was levied and collectible on December 1, 2017 and is recognized as revenue in the year ended June 30, 2018 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2017 taxable valuation of the Authority totaled \$1.31 billion, on which taxes levied consisted of 0.9969 mills for operating purposes. This resulted in \$1.31 million for the Authority. This amount is recognized in the General Fund financial statements as tax revenue.

#### **Compensated Absences (Vacation and Sick Leave)**

It is the Authority's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. All compensated absence liabilities will eventually be extinguished by General Fund resources.

June 30, 2018

### Note 1 - Significant Accounting Policies (Continued)

#### Use of Estimates

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

#### Upcoming Accounting Pronouncements

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Authority's financial statements for the year ending June 30, 2020.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Authority's financial statements for the year ending June 30, 2021.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This statement establishes criteria to improve the information that is disclosed in the notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Authority's financial statements for the year ending June 30, 2019.

June 30, 2018

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

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

<b>Fund Balances Reported in Governmental Funds</b>	\$ 1,356,913
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	4,183,268
Promissory note is not due and payable in the current period and is not reported in the funds	(900,879)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(17,591)
Unavailable revenue related to delinquent taxes, utility reimbursements, and grants that are for services already performed but not yet collected are recognized as a deferred inflow of resources in the fund, but are revenue in the statement of net position	14,397
<b>Net Position of Governmental Activities</b>	<u>\$ 4,636,108</u>

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

<b>Net Change in Fund Balance Reported in Governmental Funds</b>	\$ (53,853)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	48,924
Depreciation expense	(333,285)
Net book value of assets disposed of	(668,624)
Decrease in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources and, therefore, are not reported in the fund statements until they come due for payment	(380)
Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	(72,925)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	355,635
<b>Change in Net Position of Governmental Activities</b>	<u>\$ (724,508)</u>

**Note 3 - Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures 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 that are legal for direct investment by local units of government in Michigan.

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

***Custodial Credit Risk of Bank Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. At year end, the Authority had \$1,111,403 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Note 4 - Deferred Inflows of Resources and Unearned Revenue**

Governmental funds report deferred inflows of resources in connection with receivables that are not collectible soon enough after the end of the year (60 days) that they are considered to be available to liquidate liabilities of the current period. On the full accrual basis, the Authority also defers revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred inflows of resources and unearned revenue are as follows:

	General Fund - Modified Accrual Deferred Inflows of Resources	Authority - Full Accrual Unearned Revenue
Delinquent property taxes	\$ 12,227	\$ -
Utility fees	1,444	-
Accrued interest	726	-
Recreation use fees	-	77,876
Rental fees	-	16,103
Total	<u>\$ 14,397</u>	<u>\$ 93,979</u>

# Recreational Authority of Roseville and Eastpointe

## Notes to Financial Statements

June 30, 2018

### Note 5 - Capital Assets

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

#### Governmental Activities

	Balance July 1, 2017	Additions	Disposals	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 815,030	\$ -	\$ (316,200)	\$ 498,830
Construction in progress	12,880	-	-	12,880
Subtotal	827,910	-	(316,200)	511,710
Capital assets being depreciated:				
Buildings and improvements	5,638,076	-	(1,154,373)	4,483,703
Machinery and equipment	447,308	48,924	-	496,232
Subtotal	6,085,384	48,924	(1,154,373)	4,979,935
Accumulated depreciation - Buildings, improvements, and equipment	1,777,041	333,285	(801,949)	1,308,377
Net capital assets being depreciated	4,308,343	(284,361)	(352,424)	3,671,558
Net governmental activities capital assets	<u>\$ 5,136,253</u>	<u>\$ (284,361)</u>	<u>\$ (668,624)</u>	<u>\$ 4,183,268</u>

Depreciation expense for the year ended June 30, 2018 is \$333,285.

### Note 6 - Risk Management

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority has purchased commercial insurance for property loss, torts, errors and omissions, and workers' compensation insurance claims that fulfill statutory requirements. The Authority is insured for medical benefit claims through the City of Roseville, Michigan's employee medical benefit plan, which is liable for claims up to \$200,000 on an individual level annually. Excess insurance coverage for medical benefit claims has been purchased by the City of Roseville, Michigan. Settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

### Note 7 - Defined Contribution Pension Plan

The Authority provides pension benefits to all of its full-time employees through a defined contribution plan administered by Transamerica Investments. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by the employment agreement (authority under which the pension obligation is established), the Authority contributes 15 percent of employees' gross earnings, and the employees can contribute up to 5 percent. The employee contributions for each employee plus interest allocated to the employee's account are fully vested after five years of service.

The Authority's total payroll during the current year was \$682,511. The current year contribution was calculated based on covered payroll of \$307,702, resulting in an employer contribution of \$46,155 and employee contributions of \$15,385.

# Recreational Authority of Roseville and Eastpointe

## Notes to Financial Statements

June 30, 2018

### Note 8 - Other Postemployment Benefits

The Authority provides retiree healthcare benefits to eligible employees and their spouses. This is a defined contribution plan administered by Transamerica Investments. The benefits are provided under employment agreements. The agreements require the Authority to contribute 2 percent of the employees' base wages. Employees are required to contribute 1 percent of their base pay.

During the year ended June 30, 2018, the Authority made contributions of \$6,154 and the plan members contributed \$3,077 to the plan.

### Note 9 - Long-term Liabilities

Long-term debt activity for the year ended June 30, 2018 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Promissory notes	\$ 1,256,514	\$ -	\$ (355,635)	\$ 900,879	\$ 365,539
Accumulated compensated absences	17,211	11,939	(11,559)	17,591	11,839
Total governmental activities	<u>\$ 1,273,725</u>	<u>\$ 11,939</u>	<u>\$ (367,194)</u>	<u>\$ 918,470</u>	<u>\$ 377,378</u>

#### **Debt Service Requirements to Maturity**

Total interest expense for the year was \$29,279. Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Governmental Activities		
	Principal	Interest	Total
2019	\$ 365,539	\$ 18,125	\$ 383,664
2020	375,719	10,010	385,729
2021	159,621	1,099	160,720
Total	<u>\$ 900,879</u>	<u>\$ 29,234</u>	<u>\$ 930,113</u>

### Note 10 - Tax Abatements

One of the member communities in the Authority, the City of Roseville, Michigan, uses the Industrial Facilities Tax exemption (PA 198 of 1974) to enter into agreements with local businesses to construct new industrial facilities or rehabilitate historical facilities. Under the program, the City grants reductions of 50 percent of the property tax bill for new property (or it can freeze taxable values for rehabilitation properties) for up to 16 years.

For the fiscal year ended June 30, 2018, the Authority abated approximately \$8,000 of taxes under this program. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

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## Required Supplemental Information

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## Recreational Authority of Roseville and Eastpointe

### Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance with Final Budget, Positive (Negative)
<b>Revenue</b>				
Taxes	\$ 1,369,057	\$ 1,414,057	\$ 1,417,521	\$ 3,464
Charges for services to external parties	445,000	407,000	423,514	16,514
SMART operating credits	203,596	169,317	172,810	3,493
Other revenue	8,210	29,572	24,474	(5,098)
Total revenue	2,025,863	2,019,946	2,038,319	18,373
<b>Expenditures</b>				
Salaries and wages	641,838	680,488	682,511	(2,023)
Fringe benefits	321,154	316,579	315,362	1,217
Operating supplies and sundry	145,980	125,205	111,865	13,340
Professional fees, administration fees, training, and other	275,562	307,698	317,507	(9,809)
Capital outlay	27,750	3,500	9,447	(5,947)
Utilities, maintenance, and improvements	223,668	245,077	232,581	12,496
Premium on promissory note	355,634	355,634	355,634	-
Debt service - Interest on promissory note	29,279	29,279	29,279	-
Total expenditures	2,020,865	2,063,460	2,054,186	9,274
<b>Excess of Revenue Over (Under) Expenditures</b>	4,998	(43,514)	(15,867)	27,647
<b>Other Financing Sources (Uses)</b>				
Transfers out	(94,117)	(94,117)	(94,117)	-
Proceeds from sale of capital asset	-	380,461	380,461	-
Distribution to Eastpointe and Roseville for sale of capital asset	-	(378,971)	(378,971)	-
Total other financing sources (uses)	(94,117)	(92,627)	(92,627)	-
<b>Net Change in Fund Balances</b>	(89,119)	(136,141)	(108,494)	27,647
<b>Fund Balances - Beginning of year</b>	1,410,766	1,410,766	1,410,766	-
<b>Fund Balances - End of year</b>	<u>\$ 1,321,647</u>	<u>\$ 1,274,625</u>	<u>\$ 1,302,272</u>	<u>\$ 27,647</u>

# Recreational Authority of Roseville and Eastpointe

## Note to Required Supplemental Information

June 30, 2018

### **Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. All annual appropriations lapse at fiscal year end; encumbrances are not included as expenditures. The annual budget is prepared and adopted by the Authority's members; subsequent amendments are approved by the Authority's members. During the current year, the budget was amended in a legally permissible manner.

The budget statement is presented in accordance with accounting principles generally accepted in the United States of America, which is the same basis of accounting used in preparing the adopted budget, except for reporting proceeds from debt as revenue rather than other financing sources. The budget has been adopted at a line-item level; expenditures at this level in excess of amounts budgeted are a violation of Michigan law.

The following line items had unfavorable expenditure budget variances. During the year, the Authority incurred expenditures that were in excess of the amounts budgeted due to increases in seasonal wages, contractual services, and supplies related to authority programs.

	Amended Budget	Actual	Variance
Salaries and wages	\$ 680,488	\$ 682,511	\$ (2,023)
Professional fees, administration fees, training, and other	307,698	317,507	(9,809)
Capital outlay	3,500	9,447	(5,947)