

NORTHERN LEHIGH RECREATION AUTHORITY

**Financial Statements,
Independent Auditor's Report and
Required Supplementary Information**

December 31, 2018 and 2017

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**NORTHERN LEHIGH RECREATION AUTHORITY
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Northern Lehigh Recreation Authority
Slatington, PA

We have audited the accompanying financial statements of the governmental activities of the Northern Lehigh Recreation Authority as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Northern Lehigh Recreational 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 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 the Northern Lehigh Recreation Authority, as of December 31, 2018 and 2017, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Management has not presented the management's discussion and analysis that the Governmental Accounting Standards Board requires to supplement, although not to be a part of, the basic financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule on page 13 - 14 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 operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the method 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.

_____, 2019

**NORTHERN LEHIGH RECREATION AUTHORITY
STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2018 and 2017**

	Governmental Activities	
	2018	2017
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 31,508	\$ 18,887
Accounts Receivable	29,784	26,641
Total Current Assets	<u>61,292</u>	<u>45,528</u>
Deferred Outflows of Resources		
Prepaid Expenses	2,412	1,462
Total Deferred Outflows of Resources	<u>2,412</u>	<u>1,462</u>
TOTAL ASSETS	<u><u>\$ 63,704</u></u>	<u><u>\$ 46,990</u></u>
LIABILITIES		
Current Liabilities		
Accrued Expenses	\$ 30,616	\$ 6,917
Total Current Liabilities	<u>30,616</u>	<u>6,917</u>
TOTAL LIABILITIES	<u>30,616</u>	<u>6,917</u>
NET POSITION		
Unrestricted	<u>33,088</u>	<u>40,073</u>
TOTAL NET POSITION	<u>33,088</u>	<u>40,073</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 63,704</u></u>	<u><u>\$ 46,990</u></u>

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

**NORTHERN LEHIGH RECREATION AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

Functions/Programs	Expenditures	PROGRAM REVENUES		Net Revenue and Changes in Net Position
		Charges for Service	Program Grants and Contributions	Governmental Activities
Primary Government:				
Government activities:				
Educational and Recreational	\$ 157,282	\$ 28,870	\$ 117,909	\$ (10,503)
Total Primary Government	\$ 157,282	\$ 28,870	\$ 117,909	\$ (10,503)
		General Revenues:		
				\$ 3,133
				385
				3,518
		Total General Revenues		
				(6,985)
				Change In Net Position
				40,073
				Net Position - January 1, 2018
				\$ 33,088
				Net Position - December 31, 2018

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

**NORTHERN LEHIGH RECREATION AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Functions/Programs	Expenditures	PROGRAM REVENUES Charges for Services	Net Revenue and Changes in Net Position Program Grants and Contributions	Net Revenue and Changes in Net Position Governmental Activities
Primary Government:				
Government activities:				
Educational and Recreational	\$ 120,240	\$ 21,849	\$ 102,681	\$ 4,290
Total Primary Government	\$ 120,240	\$ 21,849	\$ 102,681	\$ 4,290
		General Revenues:		
		Event Income		\$ 11,983
		Miscellaneous		327
		Total General Revenues		12,310
		Change In Net Position		16,600
		Net Position - January 1, 2017		23,473
		Net Position - December 31, 2017		\$ 40,073

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

**NORTHERN LEHIGH RECREATION AUTHORITY
BALANCE SHEETS – GOVERNMENTAL FUNDS
DECEMBER 31, 2018 and 2017**

	General Fund	
	2018	2017
ASSETS		
Cash and Cash Equivalents	\$ 31,508	\$ 18,887
Accounts Receivable	29,784	26,641
Prepaid Expenses	2,412	1,462
TOTAL ASSETS	\$ 63,704	\$ 46,990
LIABILITIES AND FUND BALANCES		
Accrued Expenses	\$ 30,616	\$ 6,917
TOTAL LIABILITIES	30,616	6,917
FUND BALANCES		
Unassigned	33,088	40,073
TOTAL FUND BALANCE	33,088	40,073
TOTAL LIABILITIES AND FUND BALANCE	\$ 63,704	\$ 46,990

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

**NORTHERN LEHIGH RECREATION AUTHORITY
STATEMENTS OF REVENUES RECEIVED, EXPENDITURES PAID
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018 and 2017**

	General Fund	
	2018	2017
REVENUES RECEIVED		
Member Municipality Contributions	\$ 38,906	\$ 45,106
Intergovernmental Revenue	36,376	57,180
Public Support	42,627	395
Charges for Service	28,870	21,849
Event Income	3,133	11,983
Miscellaneous	385	327
	150,297	136,840
EXPENDITURES PAID		
Wages	72,333	69,263
Payroll Taxes	7,275	7,110
Employee Benefits	13,938	12,415
Advertising and Marketing	1,666	1,560
Professional Fees	7,360	6,280
Bank Charges	117	48
Insurance	2,689	2,254
Office Expenditures	1,579	573
Utilities	1,397	1,040
Travel and Meetings	918	671
Taxes and Licenses	-	1,020
Rent	1,832	3,202
Event Expenditures	107	5,815
Program Expenses	12,844	8,989
Capital Outlay	33,170	-
Miscellaneous Expenses	57	-
	157,282	120,240
EXCESS (DEFICIT) OF REVENUES RECEIVED OVER (UNDER) EXPENDITURES PAID	(6,985)	16,600
Fund Balance - Beginning of Year	40,073	23,473
Fund Balance - End of Year	\$ 33,088	\$ 40,073

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

NORTHERN LEHIGH RECREATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 and 2017

1. Entity

The Northern Lehigh Recreation Authority (Authority) is a multi-municipality partnership formed between Washington Township, the Borough of Walnutport and the Borough of Slatington to provide a diverse range of educational and recreational programs and activities to promote a strong sense of community. The Authority will also oversee the completion of the Northern Lehigh Community Center.

The financial statements of Northern Lehigh Recreation Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are described below to enhance the usefulness of the financial statements to the reader.

2. Summary of Significant Accounting Policies

Basis of Presentation - Fund Accounting

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues and expenditures. The fund is summarized by type in the financial statements. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

For financial reporting purposes, the Authority's funds have been grouped by fund type and are presented in this report in the following manner:

Governmental Fund Types

Governmental funds are those through which most governmental functions of the Authority are financed. The acquisition, use and balances of the Authority's expendable financial resources and the related liabilities are accounted for through the following governmental fund:

- ***General Fund*** . is the primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Basis of Accounting and Measurement Focus

Basis of Accounting

The accompanying statements of the Authority have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Using this method, revenues and gains are recognized when earned and expenses and losses are recognized when incurred.

**NORTHERN LEHIGH RECREATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 and 2017**

2. Summary of Significant Accounting Policies (Continued)

Government-Wide Net Position

Government-wide net position is divided into two components:

- **Restricted** . consists of assets that are restricted by the Authority's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- **Unrestricted** . all other net position is reported in this category.

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

- **Restricted fund balance** - indicates the portion of the fund balance that can only be spent for specific purposes because of constitutional provisions, legislation, or constraints that are externally imposed.
- **Unassigned fund balance** - indicates the portion of the fund balance that is available for appropriation and expenditure, in future periods.

When multiple categories of fund balance are available for expenditure (e.g. - funds set aside by contributors, and unassigned fund balance), the Authority will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

Income Taxes

Northern Lehigh Recreational Authority is a tax-exempt organization pursuant to Section 501(c)(3) of the Internal Revenue Code and similar provisions of the Commonwealth of Pennsylvania. Therefore, no provision for income taxes is required.

Uncertain tax positions are evaluated in accordance with ASC 740-10, *Income Taxes - Uncertainty in Income Taxes*, which establishes the criterion that an individual tax position has to meet for some or all of the benefits of that position to be recognized in the Authority's financial statements. The standard prescribes a recognition threshold of more-likely than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. The standard also provides guidance on derecognition, classification, interest and penalties and disclosure.

Cash and Cash Equivalents

The Authority's cash is comprised of cash on hand and demand deposits with financial institutions.

NORTHERN LEHIGH RECREATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 and 2017

2. Summary of Significant Accounting Policies (Continued)

Receivables

In both the government-wide and fund financial statements, receivables consist of all revenues earned at year-end and not yet received. The Authority considers accounts receivable to be fully collectible; accordingly, the allowance for doubtful accounts is \$-0- at December 31, 2018 and 2017. If receivables become uncollectible, they will be charged to operations when that determination is made.

Prepaid Expenses

In both the government-wide and fund financial statements, prepaid expenses are recorded as assets in the specific governmental fund in which future benefits will be derived.

Management Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimated.

3. Cash

General

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Commonwealth of Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

The deposit and investment policy of the Authority adheres to the statutes of the Commonwealth. Deposits of the Authority are either maintained in demand deposits or are held in bank money market accounts. There were no deposit or investment transactions during the year that were in violation of either the Commonwealth's statutes or the policy of the Authority.

Under Act No. 72 of the 1972 Session of the Pennsylvania General Assembly (the Act of 72), financial institutions were granted the authority to secure the deposits of the public bodies by pledging a pool of assets, as defined in the Act of 72, to cover all public funds deposited in excess of the FDIC limits. The Authority bank balances were not in excess of the FDIC limits at December 31, 2018 or 2017.

**NORTHERN LEHIGH RECREATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 and 2017**

4. Pension Plan

The Authority has established a SIMPLE IRA covering all eligible personnel. Eligible employees can contribute up to \$6,500 per year. The Authority matches the employees contributions up to 3% of compensation and a maximum of \$6,500 per year. Total expense was \$1,938 and \$415 for the years ended December 31, 2018 or 2017.

5. Subsequent Events

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through, _____, 2019 the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

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**NORTHERN LEHIGH RECREATION AUTHORITY
STATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL -
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	Budget Amount		Actual	Variance with Final Budget Favorable/ (Unfavorable)
	Original	Final		
REVENUES RECEIVED				
Member Municipality Contributions	\$ 38,906	\$ 38,906	\$ 38,906	\$ -
Intergovernmental Revenue	41,000	41,000	36,376	(4,624)
Public Support	95,825	95,825	42,627	(53,198)
Charges for Service	52,110	52,110	28,870	(23,240)
Event Income	4,250	4,250	3,133	(1,117)
Miscellaneous	-	-	385	385
Total Revenues Received	<u>232,091</u>	<u>232,091</u>	<u>150,297</u>	<u>(81,794)</u>
EXPENDITURES PAID				
Wages	60,000	60,000	72,333	(12,333)
Payroll Taxes	5,500	5,500	7,275	(1,775)
Employee Benefits	13,800	13,800	13,938	(138)
Advertising and Marketing	3,000	3,000	1,666	1,334
Auto Expenses	500	500	-	500
Professional Fees	7,500	7,500	7,360	140
Bank Charges	200	200	117	83
Insurance	2,500	2,500	2,689	(189)
Office Expenditures	2,500	2,500	1,579	921
Utilities	1,200	1,200	1,397	(197)
Travel and Meetings	1,000	1,000	918	82
Taxes and Licenses	250	250	-	250
Rent	2,750	2,750	1,832	918
Event Expenditures	3,100	3,100	107	2,993
Program Expenses	35,455	35,455	12,844	22,611
Capital Outlay	88,000	88,000	33,170	54,830
Miscellaneous Expenses	-	-	57	(57)
Total Expenditures Paid	<u>227,255</u>	<u>227,255</u>	<u>157,282</u>	<u>69,973</u>
EXCESS OF REVENUES RECEIVED OVER EXPENDITURES PAID	<u>4,836</u>	<u>4,836</u>	<u>(6,985)</u>	<u>(11,821)</u>
Fund Balance - Beginning of Year	<u>40,073</u>	<u>40,073</u>	<u>40,073</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 44,909</u>	<u>\$ 44,909</u>	<u>\$ 33,088</u>	<u>\$ (11,821)</u>

See independent auditor's report on required supplementary information.

**NORTHERN LEHIGH RECREATION AUTHORITY
STATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL -
GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	Budget Amount		Actual	Variance with Final Budget Favorable/ (Unfavorable)
	Original	Final		
REVENUES RECEIVED				
Member Municipality Contributions	\$ 44,988	\$ 44,988	\$ 45,106	\$ 118
Intergovernmental Revenue	71,375	71,375	57,180	(14,195)
Charges for Service	31,014	31,014	21,849	(9,165)
Public Support	1,000	1,000	395	(605)
Event Income	8,700	8,700	11,983	3,283
Miscellaneous	-	-	327	327
	<u>157,077</u>	<u>157,077</u>	<u>136,840</u>	<u>(20,237)</u>
Total Revenues Received				
EXPENDITURES PAID				
Wages	60,000	60,000	69,263	(9,263)
Payroll Taxes	4,870	4,870	7,110	(2,240)
Employee Benefits	12,900	12,900	12,415	485
Advertising and Marketing	3,000	3,000	1,560	1,440
Professional Fees	8,300	8,300	6,280	2,020
Engineering	25,500	25,500	-	25,500
Bank Charges	150	150	48	102
Insurance	2,023	2,023	2,254	(231)
Office Expenditures	2,000	2,000	573	1,427
Utilities	900	900	1,040	(140)
Travel and Meetings	1,500	1,500	671	829
Taxes and Licenses	500	500	1,020	(520)
Rent	-	-	3,202	(3,202)
Event Expenditures	6,400	6,400	5,815	585
Program Expenses	20,107	20,107	8,989	11,118
	<u>148,150</u>	<u>148,150</u>	<u>120,240</u>	<u>27,910</u>
Total Expenditures Paid				
EXCESS OF REVENUES RECEIVED OVER EXPENDITURES PAID				
	<u>8,927</u>	<u>8,927</u>	<u>16,600</u>	<u>7,673</u>
Fund Balance - Beginning of Year	<u>23,473</u>	<u>23,473</u>	<u>23,473</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 32,400</u>	<u>\$ 32,400</u>	<u>\$ 40,073</u>	<u>\$ 7,673</u>

See independent auditor's report on required supplementary information.