SPEARVILLE RECREATION COMMISSION
SPEARVILLE, KANSAS

FINANCIAL STATEMENT
with
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2023

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Kennedy
McKee & Company LLP Certified Public Accountants

1100 W. Frontview
P. O. Box 1477
Dodge City, Kansas 67801
Tel. (620) 227-3135
Fax (620) 227-2308
www.kmc-cpa.com

JAMES W. KENNEDY, CPA
PATRICK M. FRIESS, CPA
JOHN W. HENDRICKSON, CPA
JEREMY J. APPEL, CPA

INDEPENDENT AUDITOR'S REPORT

Spearville Recreation Commission
Spearville, Kansas

Adverse and Unmodified Opinions

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash of the Spearville Recreation Commission, a related municipal entity of Unified School District No. 381, as of and for the year ended June 30, 2023, and the related notes to the financial statement.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the accompanying financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Spearville Recreation Commission, as of June 30, 2023, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balances of the Spearville Recreation Commission, as of June 30, 2023, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note A.

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the *Kansas Municipal Audit and Accounting Guide*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Spearville Recreation Commission, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

Matter Giving Rise to Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note A of the financial statement, the financial statement is prepared by the Spearville Recreation Commission, on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note A and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note A; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about the Spearville Recreation Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS, we:

- exercise professional judgement and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Spearville Recreation Commission's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about the Spearville Recreation Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash (basic financial statement) as a whole. The individual fund schedule of regulatory basis receipts and expenditures – actual and budget (Schedule 1 as listed in the table of contents) is presented for analysis and is not a required part of the basic financial statement, however, is required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note A.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the Spearville Recreation Commission as of and for the year ended June 30, 2022 (not presented herein), and have issued our report thereon dated January 5, 2023, which contained an unmodified opinion on the basic financial statement. The 2022 basic financial statement and our accompanying report are not presented herein but are available from the Spearville Recreation Commission. The 2022 actual column (2022 comparative information) presented in the individual fund schedule of regulatory basis receipts and expenditures - actual and budget for the year ended June 30, 2023 (Schedule 1 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2022 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2022 basic financial statement. The 2022 comparative information was subjected to the auditing procedures applied in the audit of the 2022 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2022 basic financial statement or to the 2022 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2022 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended June 30, 2022, on the basis of accounting described in Note A.

Kennedy McKee & Company LLP

January 4, 2024

SPEARVILLE RECREATION COMMISSION
SPEARVILLE, KANSAS

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH REGULATORY BASIS

For the Year Ended June 30, 2023

	General fund
Beginning unencumbered cash balance	$ 108,983
Prior year canceled encumbrances	-
Receipts	1,808,413
Expenditures	(1,660,092)
Ending unencumbered cash balance	257,304
Add encumbrances and accounts payable	12,974
Ending cash balance	$ 270,278
Composition of cash balance:	
Checking account	$ 16,914
Money market accounts	253,364
Total cash	$ 270,278

The notes to the financial statement are an integral part of this statement.

SPEARVILLE RECREATION COMMISSION
SPEARVILLE, KANSAS

NOTES TO THE FINANCIAL STATEMENT

June 30, 2023

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies applied in the preparation of the accompanying financial statement is presented to assist in understanding the Commission's financial statement. The financial statement and notes are representations of the Commission's management, which is responsible for their integrity and objectivity.

1. Related Municipal Entity

   The Spearville Recreation Commission is a related municipal entity of Unified School District No. 381. Four of the five members of the governing board are appointed by the Board of Education. The Commission operates as a separate governing body, but the District levies the taxes for the Commission and the Commission has only the powers granted by K.S.A. 12-1928. The Commission cannot purchase real property but can acquire real property by gift.

2. Basis of Presentation – Fund Accounting

   The accounts of the Commission are organized and operated on the basis of funds. In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

   The following fund comprises the financial activities of the Commission for the year ended June 30, 2023:

   REGULATORY BASIS FUND TYPE

   General fund – the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

3. Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

   The *Kansas Municipal Audit and Accounting Guide* (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America (Continued)

The Commission has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Commission to use the regulatory basis of accounting.

4. Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in adoption of the legal annual operating budget:

a. Preparation of the budget for the succeeding fiscal year on or before August 1st.

b. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.

c. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.

d. Adoption of the final budget on or before August 25th.

If the municipality is holding a revenue neutral rate hearing, the budget timeline for adoption of the final budget has been adjusted to on or before September 20th. The municipality did hold a revenue neutral rate hearing for this year.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipts other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held, and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. A budget comparison schedule is presented showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

The legal annual operating budget is prepared using the regulatory basis of accounting, in which regulatory receipts are recognized when cash is received, and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

B. COMPLIANCE WITH KANSAS STATUTES

References made herein to the statutes are not intended as interpretations of law but are offered for consideration to the Director of Accounts and Reports, the State Department of Education, and legal representatives of the Spearville Recreation Commission.

K.S.A. 9-1402 requires the Commission to obtain security for deposits in excess of FDIC coverage. At year-end, the Commission had deposits at one financial institution that were in excess of FDIC coverage and pledged securities by $375,127.

C. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the Commission. The statute requires banks eligible to hold the Commission's funds to have a main or branch bank in the county in which the Commission is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Commission has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Commission's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Commission has no investment policy that would further limit its investment choices.

Custodial credit risk – deposits. Custodial credit risk is the risk that, in the event of a bank failure, the Commission's deposits may not be returned to it. State statutes require the Commission's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka.

At June 30, 2023, the Commission's carrying amount of deposits was $270,278 and the bank balance was $627,044. Of the bank balance, $251,917 was covered by federal depository insurance, and the balance of $375,127 was unsecured.

D. CAPITAL PROJECTS

Capital project authorizations with approved change orders compared with cash disbursements and accounts payable from inception are as follows:

	Project commitments authorized	Cash disbursements and accounts payable to date	Remaining financial commitment
Pool project	$ 2,926,230	$ 2,880,730	$ 45,500

Of the total authorized project amount, the City of Spearville PBC was responsible for the first five estimates which equated to $1,458,552. The Commission is responsible for the remainder of the project cost with current year disbursements to date of $1,422,178.

E. FINANCE LEASE

In March 2022, the City of Spearville, pursuant to Ordinance No 703-A, created the City of Spearville, Kansas Public Building Commission (PBC). The governing body of the PBC adopted Resolution No. 2022-4 on September 14, 2022, authorizing the Issuer to (1) issue the City of Spearville, Kansas Public Building Commission Revenue Bonds, Series 2022 (Unified School District No. 381 (the District)/Spearville Recreation Commission (the Commission) Project) (the "Series 2022 Bonds") in the amount of $1,500,000 for the purpose of providing a portion of the funds necessary to construct, furnish and equip a new swimming pool and all improvements related thereto (the "Facility"); (2) enter into an Indenture, with Security Bank of Kansas City for the purpose of issuing and securing the Series 2022 Bonds (the Bonds), as therein provided, and (3) enter into the lease with the District, dated October 5, 2022 herewith (the "Lease"), pursuant to which the Issuer will cause the proceeds of the Series 2022 Bonds to be used to construct the Facility and will lease the Project to the District in consideration of rental payments which are to be sufficient, during any term of the Lease, to pay the principal of, redemption premium, if any, and interest on the Bonds as the same become due.

The District adopted Resolution No. 523 on August 8, 2022, which resolution: (a) authorized the District to enter into the Lease; and (b) authorized the District, as sublessor, to enter into this sublease with the Commission, as sublessee, pursuant to which the District will sublease the Project to the Commission. The Bonds of the PBC are payable from the rentals received by the PBC from the Commission per a sublease agreement entered into with the District.

Changes in finance leases for the Commission for the year ended June 30, 2023, were as follows (all current year payments were made by the Commission directly to the Bond Holder):

Issue	Balance beginning of year	Additions/ net change	Reductions/ net change	Balance end of year	Interest paid
Spearville pool lease: Issued October 5, 2022 In the amount of $1,500,000 At interest rates of 4.00% Maturing September 1, 2037	$ -	$1,500,000	$ -	$ 1,500,000	$ 24,333

Current maturities of the Spearville Pool lease and interest for the next five years and in five-year increments through maturity are as follows:

	Principal due	Interest due	Total due
2024	$ 80,000	$ 58,400	$ 138,400
2025	80,000	55,200	135,200
2026	80,000	52,000	132,000
2027	85,000	48,700	133,700
2028	85,000	45,300	130,300
2029-2033	490,000	170,400	660,400
2034-2038	600,000	62,000	662,000
Total	$ 1,500,000	$ 492,000	$ 1,992,000

F. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters, for which the Commission purchases commercial insurance. There have been no significant reductions in coverage from the prior year. Settled claims from these risks have not exceeded insurance coverage in any of the past three years.

G. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 4, 2024, the date on which the financial statement was available to be used. Management's evaluation concluded that no subsequent event is required to be recognized or disclosed in this financial statement.

REGULATORY-REQUIRED SUPPLEMENTARY INFORMATION

SPEARVILLE RECREATION COMMISSION
SPEARVILLE, KANSAS

GENERAL FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended June 30, 2023
(With Comparative Actual Totals for the Prior Year Ended June 30, 2022)

		2023		
	2022	Actual	Budget	Variance favorable (unfavorable)
Receipts:				
Appropriation from Unified School District No. 381	$ 118,100	$ 251,721	$ 251,000	$ 721
Charges and sales	12,133	22,086	12,000	10,086
Interest	186	9,161	250	8,911
Donations and other	635	12,807	1,000	11,807
Grant income	-	1,500,000	1,500,000	-
Youth athletic programs	13,954	12,638	10,000	2,638
Bond proceeds	-	-	1,500,000	(1,500,000)
Bond premium	-	-	100,000	(100,000)
Total receipts	145,008	1,808,413	$ 3,374,250	$ (1,565,837)
Expenditures:				
Pool maintenance/improvements	2,052	7,829	$ 50,000	$ 42,171
Park maintenance/improvements	7,303	12,749	50,000	37,251
Youth athletic programs	13,305	15,699	20,000	4,301
Salaries	58,956	67,032	75,000	7,968
Capital purchases	880	-	30,000	30,000
Insurance	20,117	23,522	25,000	1,478
Ballfield maintenance/improvements	2,419	17,402	35,000	17,598
Concession expense	2,421	4,925	3,000	(1,925)
Utilities	17,470	22,035	20,000	(2,035)
Ballfield project	52,235	-	-	-
Payroll taxes	4,242	3,218	8,000	4,782
Advertising	47	176	1,000	824
Travel	-	215	1,000	785
Pool project	-	1,447,509	3,150,000	1,702,491
Other	7,793	13,448	18,600	5,152
Debt service:				
Interest	-	24,333	-	(24,333)
Total expenditures	189,240	1,660,092	$ 3,486,600	$ 1,826,508
Receipts over (under) expenditures	(44,232)	148,321		
Unencumbered cash, beginning of year	153,215	108,983	$ 112,484	$ (3,501)
Unencumbered cash, end of year	$ 108,983	$ 257,304	$ 134	$ 257,170

See Independent Auditor's Report.