

**SPRING HILL RECREATION COMMISSION**

**Spring Hill, Kansas**

**Financial Statements**

**For the Year Ended June 30, 2021**

SPRING HILL RECREATION COMMISSION  
SPRING HILL, KANSAS

Financial Statements  
For the Year Ended June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Spring Hill Recreation Commission  
Spring Hill, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Spring Hill Recreation Commission (the Commission), a related municipal entity of the Spring Hill Unified School District No. 230, Spring Hill, Kansas, as of and for the year ended June 30, 2021, and the related notes to the financial statement.

*Management's Responsibility for the Financial Statements*

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 1; 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.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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

*Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles*

As described in Note 1 of the financial statement, the financial statement is prepared by the 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 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.



*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 Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the 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 Commission as of June 30, 2021, 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 financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Commission as of June 30, 2021, 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 1.

*Report on 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 balances (basic financial statements) as a whole. The summary of expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are 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 financial statement or to the 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 1.

*Other Matter*

The 2020 Actual column presented in the individual fund schedules of regulatory basis receipts and expenditures—actual and budget (Schedule 2 as listed in the table of contents) is also presented for purposes of additional analysis and is not a required part of the basic financial statement.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the Commission as of and for the year ended June 30, 2020 (not presented herein), and have issued our report thereon dated November 17, 2020 which contained an unmodified opinion on the basic financial statement. The 2020 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <https://admin.ks.gov/offices/oar/municipalservices>. The 2020 actual column (2020 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures—actual and budget for the year ended June 30, 2020 (Schedule 2 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 2020 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 2020 basic financial statement. The 2020 comparative information was subjected to the auditing procedures applied in the audit of the 2020 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 2020 basic financial statement or to the 2020 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 2020 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, 2020, on the basis of accounting described in Note 1.

*Gordon CPA LLC*

Certified Public Accountant  
Lawrence, Kansas

October 8, 2021

SPRING HILL RECREATION COMMISSION  
SPRING HILL, KANSAS

Summary Statement of Receipts, Expenditures and Unencumbered Cash  
Regulatory Basis  
For the Year Ended June 30, 2021

<u>Fund</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add: Outstanding Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
General Fund:						
General	\$ 733,702	\$ 916,898	\$ 777,896	\$ 872,704	\$ 18,550	\$ 891,254
Special Purpose Fund:						
Program	52,409	57,887	51,794	58,502	-	58,502
Employee Benefit	<u>247,235</u>	<u>140,698</u>	<u>145,386</u>	<u>242,547</u>	<u>-</u>	<u>242,547</u>
Total	<u>\$ 1,033,346</u>	<u>\$ 1,115,483</u>	<u>\$ 975,076</u>	<u>\$ 1,173,753</u>	<u>\$ 18,550</u>	<u>\$ 1,192,303</u>

Composition of Cash

State Bank of Spring Hill	
Operations Checking	\$ 389,692
Program Checking	58,502
Employee Benefit Checking	242,547
CIP Checking	<u>501,562</u>
Total Cash	<u>\$ 1,192,303</u>

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



## SPRING HILL RECREATION COMMISSION

### Notes to the Financial Statements For the Year Ended June 30, 2021

#### NOTE 1 - Summary of Significant Accounting Policies

##### Reporting Entity

Spring Hill Recreation Commission (the Commission) is a related municipal entity of the Unified School District No. 230 (the District), Spring Hill, Kansas. The Commission operates as a separate governing body but the District levies the tax for the Commission and the Commission has only the powers granted by statutes, K.S.A. 12-1928. The Commission cannot purchase real property but can acquire real property by gift. The five members of the Commission's governing body are appointed as follows: two by the District, two by the City of Spring Hill, and one at-large member appointed by the other members. The Commission has no related municipal entities.

##### Basis of Accounting

*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.

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 for accounting.

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

##### Regulatory Basis Fund Types

The following types of funds comprise the financial activities of the Commission for the year ended June 30, 2021:

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

Special Purpose Fund - used to account for the proceeds of specific tax levies and other specific regulatory receipt sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

##### Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, and special purpose funds (unless specifically exempted by statute). The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding fiscal year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.

## SPRING HILL RECREATION COMMISSION

### Notes to the Financial Statements For the Year Ended June 30, 2021

#### NOTE 1 - Summary of Significant Accounting Policies (Continued)

3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

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 the year ended June 30, 2021.

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. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are 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 the prior year's accounts payable and encumbrances. Encumbrances are commitments by the Commission 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.

A legal operating budget is not required for the Program Fund.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

#### NOTE 2 - Deposits and Investments

*Deposits.* 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 have a main or branch bank in the county in which the Commission is located, or in an adjoining county if such institutions 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.

*Investments.* 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. As of June 30, 2021, the Commission held no investments.

*Concentration of credit risk.* State statutes place no limit on the amount the Commission may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

*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, except during designated "peak periods" when required coverage is 50%. The Commission has no designated "peak periods."



## SPRING HILL RECREATION COMMISSION

### Notes to the Financial Statements For the Year Ended June 30, 2021

#### NOTE 2 - Deposits and Investments (Continued)

At June 30, 2021, the Commission's carrying amount of deposits was \$1,192,303 and the bank balance was \$1,200,963. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$500,000 was covered by federal depository insurance, \$449,335 was collateralized with securities held by the pledging financial institutions' agents in the Commission's name, and the remaining \$251,628 was unsecured at June 30, 2021, which is a violation of K.S.A. 9-1402.

#### NOTE 3 - Compensated Absences

The Commission's policy regarding sick pay is to grant personnel sick leave at 12 days a year. Compensation is paid out for unused sick days at termination at the employee's current rate of pay times 20% of the sick days accumulated. The Commission allows vacation leave at 10 days per year. After five years of service, vacation leave increases to 15 days per year. Unused vacation days are paid out in full to terminated employees. The Commission's estimated liability for compensated absences as of June 30, 2021 was \$17,607.

#### NOTE 4 - Defined Benefit Pension Plan

*Plan Description.* The Commission participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing, multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, etc. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at [www.kpers.org](http://www.kpers.org) or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

*Contributions.* K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2, or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate and the statutory contribution rate (not including the 1% contribution rate for the Death and Disability Program) was and the statutory contribution rate was 8.61% for the fiscal year ended June 30, 2021.

At June 30, 2021, the Commission's proportionate share of the collective net pension liability reported by KPERS was \$252,888. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019, which was rolled forward to June 30, 2020. The Commission's proportion of the net pension liability was based on the ratio of the Commission's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at [www.kpers.org](http://www.kpers.org) or can be obtained as described above.



## SPRING HILL RECREATION COMMISSION

Notes to the Financial Statements  
For the Year Ended June 30, 2021

### NOTE 5 - 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. The Commission carries commercial insurance for risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### NOTE 6 - Related Party Transaction

During the year ended June 30, 2021, the Commission paid \$1,306 for automotive repair services to a company owned by a Commission member.

### NOTE 7 - Contingencies

The Recreation Commission is a party to various claims, none of which is expected to have material financial impact on the Commission.

SPRING HILL RECREATION COMMISSION  
SPRING HILL, KANSAS

Summary of Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended June 30, 2021

<u>Fund</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year Budget</u>	<u>Variance Over [Under]</u>
General Fund:					
General	\$ 1,202,000	\$ -	\$ 1,202,000	\$ 777,896	\$ 424,104
Special Purpose Fund:					
Employee Benefit	394,000	-	394,000	145,386	248,614

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



SPRING HILL RECREATION COMMISSION  
SPRING HILL, KANSAS

Schedule of Receipts and Expenditures - Actual and Budget  
General Fund  
Regulatory Basis  
For the Year Ended June 30, 2021  
(With Comparative Actual Amounts For the Year Ended June 30, 2020)

		Current Year		Variance
	Prior Year	Actual	Budget	Over
	Actual	Actual	Budget	[Under]
Receipts				
Ad valorem tax	\$ 808,680	\$ 810,587	\$ 734,757	\$ 75,830
Delinquent tax	-	5,288	4,542	746
Motor vehicle tax	71,167	97,789	128,263	[30,474]
Interest income	1,290	3,234	200	3,034
Total Receipts	881,137	916,898	\$ 867,762	\$ 49,136
Expenditures				
Salaries	303,238	314,896	\$ 349,000	\$ 34,104
Membership dues and fees	3,270	4,046	5,000	954
Playground and ball field maintenance	162,215	98,882	180,000	81,118
Advertising and community outreach	4,966	6,443	25,000	18,557
Capital outlay for equipment	26,193	166,369	82,000	[84,369]
Insurance	27,779	17,668	28,000	10,332
Office and administrative expense	54,896	43,267	39,000	[4,267]
Software services and computer maintenance	20,620	22,845	29,000	6,155
Conferences, training and travel	39,672	5,684	26,000	20,316
Professional fees	20,650	21,190	22,000	810
Miscellaneous expenses	12,229	76,606	67,000	[9,606]
Cash reserve	-	-	350,000	350,000
Total Expenditures	675,728	777,896	\$ 1,202,000	\$ 424,104
Receipts Over [Under] Expenditures	205,409	139,002		
Unencumbered Cash, Beginning	528,293	733,702		
Unencumbered Cash, Ending	\$ 733,702	\$ 872,704		

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

SPRING HILL RECREATION COMMISSION  
SPRING HILL, KANSAS

Schedule of Receipts and Expenditures - Actual  
Program Fund\*  
Regulatory Basis  
For the Years Ended June 30, 2021 and 2020

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Receipts		
Fees	\$ 72,953	\$ 44,067
Sponsorships	<u>15,895</u>	<u>13,820</u>
Total Receipts	<u>88,848</u>	<u>57,887</u>
Expenditures		
Direct program costs	<u>76,856</u>	<u>51,794</u>
Total Expenditures	<u>76,856</u>	<u>51,794</u>
Receipts Over [Under] Expenditures	11,992	6,093
Unencumbered Cash, Beginning	<u>40,417</u>	<u>52,409</u>
Unencumbered Cash, Ending	<u>\$ 52,409</u>	<u>\$ 58,502</u>

\* This fund is not required to be budgeted.



SPRING HILL RECREATION COMMISSION  
SPRING HILL, KANSAS

Schedule of Receipts and Expenditures - Actual and Budget  
Employee Benefit Fund  
Regulatory Basis  
For the Year Ended June 30, 2021  
(With Comparative Actual Amounts For the Year Ended June 30, 2020)

	Prior Year Actual	Current Year		Variance Over [Under]
		Actual	Budget	
Receipts				
Ad valorem tax	\$ 41,353	\$ 138,294	\$ 121,563	\$ 16,731
Delinquent tax	499	638	235	403
Motor vehicle tax	15,769	1,685	1,968	[283]
Miscellaneous	-	81	34,658	[34,577]
Total Receipts	57,621	140,698	\$ 158,424	\$ [17,726]
Expenditures				
Health insurance	70,765	85,749	\$ 75,000	\$ [10,749]
Social security	25,587	25,756	29,000	3,244
KPERS	27,191	29,482	30,000	518
Unemployment insurance	341	1,399	500	[899]
Workers compensation insurance	3,122	-	3,500	3,500
Employee tuition reimbursement	5,349	3,000	6,000	3,000
Cash reserve	-	-	250,000	250,000
Total Expenditures	132,355	145,386	\$ 394,000	\$ 248,614
Receipts Over [Under] Expenditures	[74,734]	[4,688]		
Unencumbered Cash, Beginning	321,969	247,235		
Unencumbered Cash, Ending	\$ 247,235	\$ 242,547		

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