

ARKANSAS CITY RECREATION COMMISSION

ACCOUNTANT'S AUDIT REPORT

**For the Twelve Months Ended
June 30, 2017**

Prepared by

**Kent R. Bassford
Certified Public Accountant**

ARKANSAS CITY RECREATION CENTER

Annual Financial Report

Year Ended June 30, 2017

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Independent Auditor's Report

January 15, 2018

Members of the Arkansas City Recreation Commission
Arkansas City, Kansas 67005

I have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Arkansas City Recreation Commission as of and for the year ended June 30, 2017 and the related notes to the financial statement.

Management's Responsibility 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 1 to meet the financial reporting requirements of the State of Kansas; 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

My responsibility is to express an opinion on the financial statement based on our audit. I conducted my 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 me to 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 the 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Arkansas City Recreation Center to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than the 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

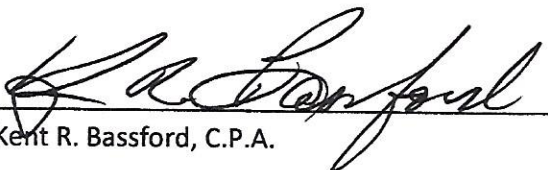
In my opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Arkansas City Recreation Commission as of June 30, 2017, or changes in financial position and cash flows for the year ended.

Opinion on Regulatory Basis of Accounting

In my opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Arkansas City Recreation Commission as of June 30, 2017, 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

My 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 statement) as a whole. The summary of regulatory basis expenditures-actual and budget and individual fund schedules of regulatory basis receipts and disbursements-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 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 my 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.


Kent R. Bassford, C.P.A.

January 15, 2018

ARKANSAS CITY RECREATION COMMISSION
SUMMARY STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH
REGULATORY BASIS
For The Year Ended June 30, 2017

Funds	Beginning Unencum- bered Cash Balance	Prior Year Cancelled Encum- brances	Cash Receipts	Expenditures
Governmental type Funds:				
General	\$ 203,052	\$ -	\$ 970,297	\$924,434
Employee Benefit	156,232	-	189,605	141,824
Total	<u>\$ 359,284</u>	<u>\$ -</u>	<u>\$ 1,159,902</u>	<u>\$ 1,066,258</u>

Composition of Cash:
Money Market Account
Checking Account
Petty Cash

Total reporting entity

ARKANSAS CITY RECREATION COMMISSION
SUMMARY STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH
REGULATORY BASIS
For The Year Ended June 30, 2017

Equity Fund Transfers	Ending Unencum- bered Cash Balance	Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
\$ -	\$ 248,915	\$ 27,678	\$ 276,593
-	204,013	174	204,187
<hr/>			
\$ -	\$ 452,928	\$ 27,852	\$ 480,780
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\$ 507,700
(27,070)
150
<hr/>
\$ 480,780
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ARKANSAS CITY RECREATION COMMISSION
NOTES TO THE FINANCIAL STATEMENT
June 30, 2017

1. Summary of Significant Account Policies

Reporting entity

Arkansas City Recreation Commission is a municipal corporation governed by a five-member board. Two board members are appointed by USD No. 470, two are appointed by the City of Arkansas City and one is appointed by the other members. USD No. 470 is the tax levying authority for the Commission.

Basis of Presentation

These regulatory basis financial statements are presented in compliance with the cash-basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Cash disbursements are recognized when the cash balance of a fund is decreased. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

The Arkansas City Recreation Commission has approved a resolution waiving the requirement from generally accepted accounting principles which allows the use of the regulatory basis of accounting.

Departure from Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable and reservations of the fund balances are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes and compensated absences are not presented in the financial statements.

ARKANSAS CITY RECREATION COMMISSION
NOTES TO THE FINANCIAL STATEMENT
June 30, 2017

General Fixed Assets

General fixed assets are recorded as expenditures in the funds at the time of purchase. Such assets have not been capitalized in the general fixed asset group of accounts as required by generally accepted accounting principles.

No depreciation has been provided on general fixed assets.

Deposits

Cash balances pooled from all funds are considered in determining the amount and type of investment. All investments were in compliance with K.S.A. 12-1675. Deposits include checking accounts and interest bearing accounts.

	FDIC Insured	Depository Securities	Bank Balance	Carrying Amount	Funds At Risk
RCB Bank	\$250,000	\$788,372	\$551,978	\$480,629	\$0

The depository securities are collateral held under joint custody receipts issued by a third party bank and held under the name of the Arkansas City Recreation Commission. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. Any concentration of credit risk is secured by depository securities.

Budgetary Information

Kansas statutes require that an annual operation budget be legally adopted for the general and employee benefit funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operation budget:

- A. Preparation of the budget for the succeeding calendar year on or before August 1st.
- B. Publication in local newspaper on or before August 15th 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

ARKANSAS CITY RECREATION COMMISSION
NOTES TO THE FINANCIAL STATEMENT
June 30, 2017

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue 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 budget amendments made during the 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. Budget comparison statements 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 modified accrual basis of accounting modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitments, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

USD No. 470 budgets and collects tax money for the Recreation Commission under K.S.A. 12-1927. The money received by the District is apportioned to the Commission shortly after its receipt.

2. Maintenance Control

The Arkansas City Recreation Commission has agreed to reimburse USD 470's costs and expenses of maintaining, repairing, and operating the portion of the "Sports Complex" property used by ACRC in an amount not to exceed \$12,500 per annum.

ARKANSAS CITY RECREATION COMMISSION
NOTES TO THE FINANCIAL STATEMENT
June 30, 2017

3. Defined Benefit Pension Plan

Plan description. The Recreation 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, *et 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 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 and 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 (not including the 1% contribution rate through March 31, 2016 with a 0% moratorium until June 30, 2017 for the Death and Disability Program) and the statutory contribution rate was 9.18% for the fiscal year ended December 31, 2016. Contributions to the pension plan from Arkansas City Recreation Commission were \$24,661 for the year ended June 30, 2017.

The State of Kansas is required to contribute the statutory employers' share.

ARKANSAS CITY RECREATION COMMISSION
NOTES TO THE FINANCIAL STATEMENT
June 30, 2017

Net Pension Liability.

At December 31, 2016, the Arkansas City Recreation Commission's proportionate share of the collective net pension liability reported by KPERS was \$237,980. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015, which was rolled forward to June 30, 2016. Arkansas City Recreation Commission's proportion of the net pension liability was based on the ratio of the Arkansas City Recreation 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 or can be obtained as described above.

4. Compensated Absences

Sick Leave

Each full time employee receives twelve (12) paid sick days per year accumulative to one hundred twenty (120) days. Compensation for unused paid sick leave at the time of retirement shall be made on a pro rata basis based on the number of years of service, up to maximum of sixty (60) days. Separation, other than retirement, whether voluntary or involuntary, will not be entitled to payment for unused sick days.

Vacation Leave

Full time personnel receive 10 vacation days after one year of continuous employment. Full time employees receive 15 vacation days after five years of continuous employment. Employees get 20 vacation days after ten years.

ARKANSAS CITY RECREATION COMMISSION
NOTES TO THE FINANCIAL STATEMENT
June 30, 2017

Vacation time may be carried over from one year to the next (no more than two years total accrual at any time). Any accumulation in excess of two years vacation must be used within thirty days or it will be forfeited. Employees leaving employment due to retirement, disability, lay-off or death may be paid for any unused vacation prorated through last full calendar month of service. Employees discharged for cause or separating for any other reason other than those listed above shall receive no pro rata vacation pay.

The amount of liability for compensated absences has not been recognized.

5. Other Post-Employment Benefits

As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in the financial statement.

6. Subsequent Events

On October 19, 2017, Arkansas City Recreation Commission accepted an IT bid from Kyle Krisik. See Note 7. Subsequent events were evaluated through January 15, 2018, the date the financials were released.

7. Related Party Transactions

Arkansas City Recreation Commission accepted the following bid for initial set up of program/association database of \$2500 for first year 11/1/17 to 10/31/18. This will be paid in three installments: \$599 November 1st, \$901 February 1st, and \$1000 July 1st. He has proposed to be held on as a consultant and tech support each year after at \$1000/year to be paid July 1st. Opt out clause for both parties must be in writing 30 days prior to renewal year (By October 1st). Kyle Krisik is the son of Joe Krisik, Arkansas City Recreation Commission Director of Operations.

ARKANSAS CITY RECREATION COMMISSION
SUMMARY OF EXPENDITURES-ACTUAL AND BUDGET
REGULATORY BASIS
For The Year Ended June 30, 2017

Funds	Certified Budget	Adjustments for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Favorable (Unfavorable)
Governmental type Funds:					
General	\$ 1,001,890	\$ -	\$ 1,001,890	\$ 924,434	\$ 77,456
Employee Benefit	189,605	-	189,605	141,824	47,781
Total	<u>\$ 1,191,495</u>	<u>\$ -</u>	<u>\$ 1,191,495</u>	<u>\$ 1,066,258</u>	<u>\$ 125,237</u>

ARKANSAS CITY RECREATION COMMISSION
GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL & BUDGET
REGULATORY BASIS

For The Year Ended June 30, 2017

(With Comparative Actual Totals for the Prior Year Ended June 30, 2016)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes	\$ 490,000	\$ 508,000	\$ 508,000	\$ -
Grants program	3,880	65,000	35,000	30,000
Interest	855	935	1,000	(65)
Carryover - Capital Savings	-	-	50,000	(50,000)
Reimbursed income	47,796	59,045	50,000	9,045
Registration fees - tournaments	24,339	27,867	40,000	(12,133)
Concessions	22,809	27,276	28,500	(1,224)
Rent	6,009	4,436	8,065	(3,629)
Memberships	92,283	110,467	98,900	11,567
Miscellaneous	1,551	4,035	800	3,235
Starting Cash	3,920	4,440	6,000	(1,560)
Aquatics	167,896	157,079	174,125	(17,046)
Sales - Merchandise	332	301	-	301
Insurance Payments	2,004	1,416	1,500	(84)
Total cash receipts	<u>\$ 863,674</u>	<u>\$ 970,297</u>	<u>\$ 1,001,890</u>	<u>\$ (31,593)</u>
Expenditures				
Personal services	\$ 531,206	\$ 536,005	\$ 580,350	\$ 44,345
Contractual services	122,678	106,931	115,100	8,169
General services	55,963	65,749	59,900	(5,849)
Capital outlay	8,219	1,626	4,000	2,374
Carryover funds	-	-	50,000	50,000
Facility & equipment maintenance	31,371	39,091	41,550	2,459
Associations	2,000	2,200	2,500	300
Recreation programs	74,117	132,960	105,100	(27,860)
Aquatics	38,130	39,872	43,390	3,518
Total expenditures	<u>\$ 863,684</u>	<u>\$ 924,434</u>	<u>\$ 1,001,890</u>	<u>\$ 77,456</u>
Receipts over (under) expenditures	\$ (10)	\$ 45,863		
Unencumbered cash, beginning	203,062	203,052		
Prior year canceled encumbrances	-	-		
Unencumbered cash, ending	<u>\$ 203,052</u>	<u>\$ 248,915</u>		

ARKANSAS CITY RECREATION COMMISSION
 EMPLOYEE BENEFIT FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL & BUDGET
 REGULATORY BASIS
 For The Year Ended June 30, 2017
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2016)

	Prior Year Actual	Current Year			Variance Favorable (Unfavorable)
		Actual	Budget		
Cash Receipts					
Taxes	\$ 181,098	\$ 189,605	\$ 189,605	\$	-
Total cash receipts	\$ 181,098	\$ 189,605	\$ 189,605	\$	-
Expenditures					
KPERs	\$ 26,985	\$ 24,661	\$ 27,526		2,865
Health insurance	71,796	66,722	106,200		39,478
Liability insurance	1,899	1,941	1,900		(41)
Social security/Medicare	39,010	40,057	44,398		4,341
Workman's compensation	5,965	8,057	9,000		943
Unemployment	533	386	581		195
Total Expenditures	\$ 146,188	\$ 141,824	\$ 189,605	\$	47,781
Receipts over (under) expenditures	\$ 34,910	\$ 47,781			
Unencumbered cash, beginning	121,322	156,232			
Prior year canceled encumbrances	-	-			
Unencumbered cash, ending	\$ 156,232	\$ 204,013			