

ARKANSAS CITY RECREATION COMMISSION

ACCOUNTANT'S AUDIT REPORT

**For the Twelve Months Ended
June 30, 2019**

Prepared by

**Kent R. Bassford
Certified Public Accountant**

ARKANSAS CITY RECREATION CENTER

Annual Financial Report

Year Ended June 30, 2019

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Kent R. Bassford CPA, Inc.

Independent Auditor's Report

January 14, 2020

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, 2019 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; 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 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, 2019, or changes in financial position and cash flows for the year ended.

Unmodified 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, 2019, 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.

Other Matters: 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 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

**ARKANSAS CITY RECREATION COMMISSION
SUMMARY STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH
REGULATORY BASIS
For The Year Ended June 30, 2019**

Funds	Beginning Unencum- bered Cash Balance	Prior Year Cancelled Encum- brances	Cash Receipts	Expenditures
Governmental type Funds:				
General	\$ 371,214	\$ -	\$ 976,665	\$939,336
Employee Benefit	250,230	-	145,900	125,510
Total	\$ 621,444	\$ -	\$ 1,122,565	\$ 1,064,846

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, 2019

Equity Fund Transfers	Ending Unencum- bered Cash Balance	Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
\$ -	\$ 408,543	\$ 77,449	\$ 485,992
-	270,620	187	270,807
<hr/>			
\$ -	\$ 679,163	\$ 77,636	\$ 756,799
<hr/>			

\$ 819,088
(62,439)
150
<hr/>
\$ 756,799
<hr/>

ARKANSAS CITY RECREATION COMMISSION
NOTES TO THE FINANCIAL STATEMENT
June 30, 2019

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, 2019

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	\$893,726	\$834,091	\$756,799	\$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, 2019

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.

Fund Descriptions

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 Recreation Commission for the year ending June 30, 2019:

ARKANSAS CITY RECREATION COMMISSION
NOTES TO THE FINANCIAL STATEMENT
June 30, 2019

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

Employee Benefits Fund – used to account for resources to be used for the Recreation Commission's share of employee benefits.

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.

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.

ARKANSAS CITY RECREATION COMMISSION
NOTES TO THE FINANCIAL STATEMENT
June 30, 2019

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 16.38% and 12.01%, respectively, for the fiscal year ended June 30, 2018. The actuarially determined employer contribution rate and the statutory contribution rate was 14.59% and 13.21% for the fiscal year ended June 30, 2019.

Per 2017 Senate Substitute for House Bill 2052, Section 37(a), state general fund employer contributions to KPERS were decreased by \$64,130,234 for the fiscal year ended June 30, 2017. Section 43(17) of the bill also stipulated that repayments of the reduced contributions are to be amortized over twenty years at a level dollar amount commencing in fiscal year 2018. The level dollar amount was computed to be \$6.4 million dollars per year. The first year payment of \$6.4 million was received in July 2017.

Per 2017 Senate Substitute for House Bill 2002, Section 51(a), state general fund employer contributions to KPERS were decreased by \$194,022,683 for the fiscal year ended June 30, 2019. Section 56(19) of the bill also stipulates that repayments of the reduced contributions are to be amortized over twenty years at a level dollar amount commencing in fiscal year 2020. The level dollar amount was computed to be \$19.4 million per year.

The State of Kansas is required to contribute the statutory required employer's share except for retired District employees. The District is responsible for the employer's portion of the cost for retired District employees. The District received and remitted amounts equal to the statutory contribution rate, which totaled \$23,579.93 for the year ended June 30, 2019.

Net Pension Liability.

At June 30, 2019, the Arkansas City Recreation Commission's proportionate share of the collective net pension liability reported by KPERS was \$193,291. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018. Arkansas City Recreation Commission's proportion of the net pension

ARKANSAS CITY RECREATION COMMISSION
NOTES TO THE FINANCIAL STATEMENT
June 30, 2019

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 for the fiscal year ended June 30, 2018. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in the financial statement.

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.

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.

ARKANSAS CITY RECREATION COMMISSION
NOTES TO THE FINANCIAL STATEMENT
June 30, 2019

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

Subsequent events were evaluated through January 14, 2020, the date the financials were released. No material subsequent events were noted.

7. Related Party Transactions

Kyle Krisik is employed by Arkansas City Recreation Commission as a consultant and tech support specialist at \$1,000 per year. 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, 2019

Schedule 1

Funds	Certified Budget	Adjustments for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Favorable (Unfavorable)
Governmental type Funds:					
General	\$ 1,082,775	\$ -	\$ 1,082,775	\$ 939,336	\$ 143,439
Employee Benefit	145,900	-	145,900	125,510	20,390
Total	\$ 1,228,675	\$ -	\$ 1,228,675	\$ 1,064,846	\$ 163,829

ARKANSAS CITY RECREATION COMMISSION
GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL & BUDGET
REGULATORY BASIS
For The Year Ended June 30, 2019
(With Comparative Actual Totals for the Prior Year Ended June 30, 2018)

		Current Year			Variance
	Prior Year				Favorable
	Actual	Actual	Budget		(Unfavorable)
Cash Receipts					
Taxes	\$ 539,069	\$ 544,000	\$ 544,000	\$	-
Grants program	45,150	10,800	35,000		(24,200)
Interest	2,818	9,652	5,000		4,652
Carryover - Capital Savings	-	-	50,000		(50,000)
Reimbursed income	79,065	96,717	80,000		16,717
Registration fees - tournaments	25,160	14,954	40,500		(25,546)
Concessions	20,757	16,265	30,000		(13,735)
Rent	5,763	4,910	6,000		(1,090)
Memberships	118,100	116,504	107,500		9,004
Miscellaneous	1,270	3,533	1,300		2,233
Starting Cash	4,100	4,000	6,000		(2,000)
Aquatics	162,204	152,420	175,775		(23,355)
Sales - Merchandise	405	107	-		107
Insurance Payments	1,599	2,803	1,700		1,103
Total cash receipts	\$ 1,005,460	\$ 976,665	\$ 1,082,775	\$	(106,110)
Expenditures					
Personal services	\$ 525,565	\$ 552,392	\$ 565,000	\$	12,608
Contractual services	111,680	104,314	122,700		18,386
General services	58,544	63,064	71,150		8,086
Capital outlay	3,939	1,140	10,500		9,360
Carryover funds	-	-	50,000		50,000
Facility & equipment maintenance	32,576	47,754	72,225		24,471
Associations	2,000	2,000	2,500		500
Recreation programs	115,297	134,105	142,100		7,995
Aquatics	33,560	34,567	46,600		12,033
Total expenditures	\$ 883,161	\$ 939,336	\$ 1,082,775	\$	143,439
Receipts over (under) expenditures	\$ 122,299	\$ 37,329			
Unencumbered cash, beginning	248,915	371,214			
Prior year canceled encumbrances	-	-			
Unencumbered cash, ending	\$ 371,214	\$ 408,543			

ARKANSAS CITY RECREATION COMMISSION
EMPLOYEE BENEFIT FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL & BUDGET
REGULATORY BASIS
For The Year Ended June 30, 2019
(With Comparative Actual Totals for the Prior Year Ended June 30, 2018)

	Prior Year Actual	Current Year		
		Actual	Budget	Variance Favorable (Unfavorable)
Cash Receipts				
Taxes	\$ 172,700	\$ 145,900	\$ 145,900	\$ -
Total cash receipts	\$ 172,700	\$ 145,900	\$ 145,900	\$ -
Expenditures				
KPERS	\$ 22,779	\$ 23,580	\$ 26,000	2,420
Health insurance	54,485	52,291	65,000	12,709
Liability insurance	1,765	588	2,000	1,412
Social Security/Medicare	39,727	41,598	43,300	1,702
Workman's compensation	7,187	6,904	9,000	2,096
Unemployment	540	549	600	51
Total Expenditures	\$ 126,483	\$ 125,510	\$ 145,900	\$ 20,390
Receipts over (under) expenditures	\$ 46,217	\$ 20,390		
Unencumbered cash, beginning	204,013	250,230		
Prior year canceled encumbrances	-	-		
Unencumbered cash, ending	\$ 250,230	\$ 270,620		