

RECREATION COMMISSION
UNIFIED SCHOOL DISTRICT NO. 244

Burlington, Kansas

Financial Statements
and
Supplemental Information

with Report of Independent Auditors

For the Year Ended June 30, 2017

Recreation Commission
Unified School District No. 244
Burlington, Kansas
Special Financial Statements
For the Fiscal Year Ended June 30, 2017

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INDEPENDENT AUDITORS' REPORT

Recreation Commission
Unified School District No. 244
Burlington, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Unified School District No. 244 Recreation Commission, Burlington, Kansas, as of and for the year ended June 30, 2017, 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 to meet the financial reporting requirements of the State of Kansas. 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 Notes to Financial Statement, the financial statement is prepared by Unified School District No. 244 Recreation Commission, Burlington, Kansas, 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 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 Unified School District No. 244 Recreation Commission, Burlington, Kansas, as of June 30, 2017, or changes in financial position and cash flows thereof for the year then ended.

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 Unified School District No. 244 Recreation Commission, Burlington, Kansas, 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

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 statement) as a whole. The summary of regulatory basis 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 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 1.

Prior Year Comparative Analysis

The 2016 Actual columns presented in the individual fund schedules of cash receipts and expenditures actual and budget (Schedule 2 as listed in the table of contents) is also presented for comparative analysis and is not a required part of the June 30, 2017 financial statement upon which we rendered an unqualified opinion dated February 6, 2018. The 2016 financial statements and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration, Office of Management Analysis and Standards. Such 2016 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 2016 financial statement. The 2016 comparative information was subjected to the auditing procedures applied in the audit of the 2016 financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2016 financial statement or to the 2016 financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2016 comparative information is fairly stated in all material respects in relation to the 2016 financial statement as a whole, on the basis of accounting described in Note 1.

Restricted Use

This report is intended solely for the information and use of the governing body and management of Unified School District No. 244 Recreation Commission, and for filing with the Kansas Department of Education, the Kansas Department of Administration, Division of Accounts and Reports, the cognizant federal agency, and other federal audit agencies. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Respectfully Submitted,

Rodney M. Burns, CPA, LLC

February 6, 2018

Recreation Commission
Unified School District No. 244
Burlington, Kansas
Summary of Receipts, Expenditures and Unencumbered Cash
For the Year Ended June 30, 2017

Fund	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Plus: Accounts Payable and Encumbrances	Ending Cash Balance
General Fund	\$ 1,218,947	1,118,456	1,086,635	1,250,768		1,250,768
Special Purpose Funds:						
Employee Benefits and						
Special Liability Fund	10,423	117,573	77,267	50,729		50,729
Pool Lease Reserve Fund	842,131	844,781	650,000	1,036,912		1,036,912
Total	<u>2,071,501</u>	<u>2,080,810</u>	<u>1,813,902</u>	<u>2,338,409</u>	<u>0</u>	<u>2,338,409</u>

Composition of Ending Cash Balance:

Demand Deposits	\$ 2,214,721
Certificates of Deposit	<u>123,688</u>
Total Composition of Cash	<u>2,338,409</u>

Recreation Commission
Unified School District No. 244
Burlington, Kansas
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 1 **Summary of Significant Accounting Policies**

A. Reporting Entity

The Unified School District No. 244 Recreation Commission is a municipal corporation governed by an appointed five-member board. These financial statements present Unified School District No. 244 Recreation Commission as a primary government unit, with no component units.

B. Basis of Presentation

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.

The following Regulatory Basis Fund Types comprise the financial activities of the Recreation Commission for the year ending June 30, 2017:

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

Special Purpose Funds -- used to account for the proceeds of specific tax levies and other revenue sources that are intended for specific purposes.

C. 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 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 revenues 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 Kansas Municipal Audit and Accounting Guide 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.

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The Recreation 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 Recreation Commission to use the regulatory basis of accounting.

D. Budget and Tax Cycle:

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. 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 calendar year on or before July 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before July 10th.
3. Public hearing on or before July 20th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget and certification to the Unified School District on or before August 1st, but at least 10 days after public hearing.

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 commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital projects funds, trust funds, and certain special revenue funds.

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

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Notes to Financial Statements
For the Year Ended June 30, 2017

E. Assets, Liabilities, and Fund Equity

Cash

To facilitate better management of the Recreation Commission's cash resources, excess cash is combined in pooled operating accounts. Each fund's portion of total cash is based on its equity in the pooled cash amount. Cash in excess of current operating needs is invested on a pooled investment basis and earnings thereon are credited to the General Fund as provided by Kansas Statutes.

F. Revenues and Expenditures

Property taxes become a lien against all property November 1st. Taxpayers have the option of paying in full or in two installments. The delinquency dates are December 20th and May 10th. Delinquent taxes are assessed interest at rates established by State Statute. This interest is retained by the County Treasurer.

Taxes levied to finance the budget are made available to the Recreation Commission after January 1st and are distributed by the County Treasurer approximately every month and a half. At least 50% of the taxes levied are available in January.

Note 2 Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the Recreation Commission. The statute requires banks eligible to hold the Recreation Commission's funds have a main or branch bank in the county in which the Recreation Commission is located 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.

K.S.A. 12-1675 allows the Recreation Commission to deposit idle funds in time deposits-open accounts, and certificates of deposit with allowable financial institutions; and to invest idle funds in U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Recreation Commission held no investments at June 30, 2017 and held no investments throughout the year.

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

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For the Year Ended June 30, 2017

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Recreation Commission's deposits may not be returned to it. State statutes require the Recreation 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 Recreation Commission has not designated any peak periods.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Recreation Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

At June 30, 2017, the carrying amount of the Recreation Commission's deposits was \$2,338,409 and the bank balance was \$2,436,345. Of the bank balance, \$850,153 was covered by federal depository insurance, \$1,536,935 was collateralized with securities held by the pledging financial institutions' agents in the Recreation Commission's name, and \$49,257 was unsecured.

Note 3 **Other Long-Term Obligations from Operations**

Compensated Absences:

The Recreation Commission's sick leave policy allows accumulation of one day of sick leave per month, with no maximum accumulation. Fifty percent of unused sick leave is paid upon employee retirement, up to a maximum of 1200 hours. At employment termination, other than retirement, if the employee has been employed more than 15 years with the Commission, they are eligible to receive 25% of their accumulated sick pay, up to a maximum of 1,200 hours. The Commission's vacation policy allows a specified number of days vacation time per year, based on length of service. Vacation days must be used in the period earned except that five days may be carried over into the next year. Unused vacation time is paid upon employment termination.

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 S. Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

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Notes to Financial Statements
For the Year Ended June 30, 2017

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, 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 with a 0% moratorium from the period January 1, 2017 through September 30, 2017 for the Death and Disability Program) and the statutory contribution rate was 9.18% for the period July 1, 2016 through December 31, 2016 and 8.46% for the period January 1, 2017 through June 30, 2017. Contributions to the pension plan from Recreation Commission were \$43,246 for the year ended June 30, 2017.

Net Pension Liability. At June 30, 2017, the Recreation Commission's proportionate share of the collective net pension liability reported by KPERS was \$250,901. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017. The Recreation Commission's proportion of the net pension liability was based on the ratio of the 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.

Note 4 Operating Transfers

During the year ended June 30, 2017, the Recreation Commission transferred \$35,000 from the General Fund to the Employee Benefits and Special Liability Fund.

Recreation Commission
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Notes to Financial Statements
For the Year Ended June 30, 2017

Note 5 Stewardship, Compliance, and Accountability

Compliance with Kansas Cash Basis Law

No violations.

Compliance with Kansas Budget Law

No violations.

Compliance with Kansas Depository Security Law

Deposits at the First National Bank were undersecured in the amount of \$49,257 as of June 30, 2017.

Note 6 Economic Dependency

The Wolf Creek Nuclear Power Plant resides within the boundaries of Unified School District No. 244 Recreation Commission. This power plant is run by a joint venture of several utility companies. The valuation for State-Assessed utilities (including this power plant) accounts for approximately 93% of the Recreation Commission's total assessed valuation.

Note 7 Pool Lease Agreement

In January, 2015, the Recreation Commission entered into a lease agreement with USD #244, Burlington, Kansas. Under the terms of this agreement, the School District issued \$4,285,000 in general obligation bonds to construct a new outdoor swimming pool. The Recreation Commission will pay the School District a total of \$4,622,339, over a period commencing in March, 2015 and ending September, 2021 to lease this pool from the School District.

Changes in long-term debt for the year ending June 30, 2017 are presented below:

<u>Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
Outdoor Pool Lease	0.00%	2/16/2015	\$ 4,622,339	9/1/2021	3,899,339	-	650,000	3,249,339	-

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

<u>Outdoor Pool Lease:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017-18	\$ 650,000		650,000
2018-19	650,000		650,000
2019-20	650,000		650,000
2020-21	650,000		650,000
2021-22	649,339		649,339
Total	3,249,339	-	3,249,339

Recreation Commission
Unified School District No. 244
Burlington, Kansas
Summary of Expenditures - Actual and Budget
For the Year Ended June 30, 2017

Schedule 1

Fund	Certified Budget	Expenditures Chargeable to Current Year	Variance Favorable (Unfavorable)
General Fund	\$ 2,286,249	1,086,635	1,199,614
Special Purpose Funds:			
Employee Benefits and Special Liability Fund	90,798	77,267	13,531
Pool Lease Reserve Fund	<u>650,000</u>	<u>650,000</u>	<u>0</u>
Total	<u><u>3,027,047</u></u>	<u><u>1,813,902</u></u>	<u><u>1,213,145</u></u>

Recreation Commission
Unified School District No. 244
Burlington, Kansas
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2017
(With Comparative Actual Totals for the Prior Year Ended June 30, 2016)

Schedule 2
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	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
<u>General Fund</u>				
Cash Receipts:				
Appropriation from U.S.D. No. 244	\$ 897,538	912,214	899,000	13,214
Interest on Idle Funds	1,524	2,345	850	1,495
Program Fees	193,910	200,431	165,800	34,631
Miscellaneous	3,339	3,466	3,000	466
Total Cash Receipts	1,096,311	1,118,456	1,068,650	49,806
Expenditures and Transfers:				
Administration	165,798	173,747	177,310	3,563
Programs	288,414	315,708	354,379	38,671
Transportation	4,799	4,999	5,500	501
Physical Plant	319,676	324,620	331,930	7,310
Capital Outlay	135,176	232,561	1,417,130	1,184,569
Transfer to Employee Benefits Fund		35,000		(35,000)
Total Expenditures and Transfers	913,863	1,086,635	2,286,249	1,199,614
Receipts Over (Under) Expenditures	182,448	31,821		
Unencumbered Cash, Beginning	1,036,499	1,218,947		
Unencumbered Cash, Ending	1,218,947	1,250,768		

Recreation Commission
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Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2017
(With Comparative Actual Totals for the Prior Year Ended June 30, 2016)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Favorable (Unfavorable)
<u>Employee Benefits and Special Liability Fund</u>				
Cash Receipts:				
Appropriation from U.S.D. No. 244	\$ 55,174	82,573	80,375	2,198
Transfer from General Fund		35,000		35,000
Total Cash Receipts	55,174	117,573	80,375	37,198
Expenditures and Transfers:				
Social Security	32,433	35,026	40,000	4,974
KPers	27,688	27,017	31,000	3,983
Workmens Compensation	3,705	4,732	5,750	1,018
Unemployment Insurance	516	512	2,200	1,688
Health Insurance	3,151	3,151	6,000	2,849
Liability Insurance	4,371	6,829	5,848	(981)
Total Expenditures and Transfers	71,864	77,267	90,798	13,531
Receipts Over (Under) Expenditures	(16,690)	40,306		
Unencumbered Cash, Beginning	27,113	10,423		
Unencumbered Cash, Ending	10,423	50,729		

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Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2017
(With Comparative Actual Totals for the Prior Year Ended June 30, 2016)

			Current Year		
		Prior Year Actual	Actual	Budget	Variance Favorable (Unfavorable)
<u>Pool Lease Reserve Fund</u>					
Cash Receipts:					
Appropriation from U.S.D. No. 244	\$	831,118	844,319	832,508	11,811
Interest on Investments		309	462	425	37
Total Cash Receipts		831,427	844,781	832,933	11,848
Expenditures and Transfers:					
Pool Lease Payment		655,000	650,000	650,000	0
Receipts Over (Under) Expenditures		176,427	194,781		
Unencumbered Cash, Beginning		665,704	842,131		
Unencumbered Cash, Ending		842,131	1,036,912		