

**SPEARVILLE RECREATION COMMISSION  
SPEARVILLE, KANSAS**

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**FINANCIAL STATEMENT  
with  
INDEPENDENT AUDITOR'S REPORT  
YEAR ENDED JUNE 30, 2017**

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*Kennedy*  
*McKee & Company LLP* Certified Public Accountants

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

JAMES W. KENNEDY, CPA  
JAMES R. SHIRLEY, CPA  
LU ANN WETMORE, CPA  
ROBERT C. NEIDHART, CPA  
PATRICK M. FRIESS, CPA  
JOHN W. HENDRICKSON, CPA

## INDEPENDENT AUDITOR'S REPORT

Spearville Recreation Commission  
Spearville, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash of the Spearville Recreation Commission, a related municipal entity of Unified School District No. 381, as of and for the year ended June 30, 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 A; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

### 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 A, the financial statement is prepared by the Spearville Recreation Commission on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note A and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **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 Spearville Recreation Commission as of June 30, 2017, 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 balances of the Spearville 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 A.

### **Other Matters**

#### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash (basic financial statement) as a whole. The individual fund schedules of regulatory basis receipts and expenditures (Schedule 1 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 A.

The 2016 column presented in the individual fund schedule of regulatory basis receipts and expenditures – actual and budget (Schedule 1 as listed in the table of contents) upon which we rendered an unmodified opinion dated December 22, 2016 is also presented for comparative analysis and was not a required part of the 2016 basic financial statement. The 2016 basic financial statement and our accompanying report are not presented herein, but are available from the Spearville Recreation Commission. 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 basic financial statement. The 2016 comparative information was subjected to the auditing procedures applied in the audit of the 2016 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 2016 basic financial statement or to the 2016 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 2016 comparative information is fairly stated in all material respects in relation to the 2016 basic financial statement as a whole, on the basis of accounting described in Note A.

*Kennedy McKee & Company LLP*

December 7, 2017

**SPEARVILLE RECREATION COMMISSION  
SPEARVILLE, KANSAS**

**SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES  
AND UNENCUMBERED CASH  
REGULATORY BASIS**

For the Year Ended June 30, 2017

	General fund	Capital Project Construction fund	Total
Beginning unencumbered cash balance	\$ 135,016	\$ -	\$ 135,016
Prior year canceled encumbrances	-	-	-
Receipts	121,167	798,569	919,736
Expenditures	<u>(169,785)</u>	<u>(196,539)</u>	<u>(366,324)</u>
Ending unencumbered cash balance	86,398	602,030	688,428
Add encumbrances and accounts payable	<u>88</u>	<u>-</u>	<u>88</u>
Ending cash balance	<u><u>\$ 86,486</u></u>	<u><u>\$ 602,030</u></u>	<u><u>\$ 688,516</u></u>
Composition of cash balance:			
Checking	\$ 100	\$ -	\$ 100
Money market	<u>86,386</u>	<u>602,030</u>	<u>688,416</u>
Total cash	<u><u>\$ 86,486</u></u>	<u><u>\$ 602,030</u></u>	<u><u>\$ 688,516</u></u>

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

**SPEARVILLE RECREATION COMMISSION  
SPEARVILLE, KANSAS**

**NOTES TO THE FINANCIAL STATEMENT**

June 30, 2017

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**1. Related Municipal Entity**

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

**2. Basis of Presentation - Fund Accounting**

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

The following funds comprise the financial activities of the Commission for the year ended June 30, 2017:

**REGULATORY BASIS FUND TYPES**

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

Capital Project fund – used to account for debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

## A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 of accounting.

### 4. Budgetary Information

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

- a. Preparation of the budget for the succeeding fiscal year on or before July 1st.
- b. Publication in local newspaper on or before July 10th of the proposed budget and notice of public hearing on the budget.
- c. Public hearing on or before July 20th, but at least ten days after publication of notice of hearing.
- d. Certified (submit) the adopted budget to the Unified School District Clerk and County Clerk.

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

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

## A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4. Budgetary Information (Continued)

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

A legal operating budget is not required for the capital project 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.

## B. DEPOSITS AND INVESTMENTS

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

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

*Custodial credit risk – deposits.* Custodial credit risk is the risk that, in the event of a bank failure, the Commission's deposits may not be returned to it. State statutes require the Commission's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at June 30, 2017.

At June 30, 2017, the Commission's carrying amount of deposits was \$688,516 and the bank balance was \$830,155. Of the bank balance, \$250,000 was covered by federal depository insurance and \$580,155 was collateralized with securities held by the pledging financial institutions agents in the Recreation's name.

## C. 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, natural disasters, and medical needs of employees for which the Commission purchases commercial insurance. There have been no significant reductions in coverage from the prior year. Settled claims from these risks have not exceeded insurance coverage in any of the past three years.



#### D. CAPITAL PROJECT

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

	<u>Project commitments authorized</u>	<u>Cash disbursements and accounts payable to date</u>	<u>Remaining financial commitment</u>
Waterline relocation	\$ 105,712	\$ 96,998	\$ 8,714
Sports complex	<u>1,050,591</u>	<u>99,541</u>	<u>951,050</u>
	<u>\$ 1,156,303</u>	<u>\$ 196,539</u>	<u>\$ 959,764</u>

#### E. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 7, 2017, the date on which the financial statement was available to be used. Management's evaluation concluded that there are no subsequent events that are required to be recognized or disclosed in this financial statement.

**REGULATORY - REQUIRED  
SUPPLEMENTARY INFORMATION**

**SPEARVILLE RECREATION COMMISSION**  
**SPEARVILLE, KANSAS**

GENERAL FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
REGULATORY BASIS

For the Year Ended June 30, 2017  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2016)

		2017		Variance
	2016	Actual	Budget	favorable (unfavorable)
Receipts:				
Appropriation from Unified				
School District No. 381	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
Charges and sales	12,831	11,725	12,000	(275)
Interest	350	1,455	300	1,155
Donations and other	209	315	500	(185)
Youth athletic programs	9,956	7,672	9,500	(1,828)
Total receipts	123,346	121,167	\$ 122,300	\$ (1,133)
Expenditures:				
Pool maintenance/improvements	4,521	37,659	\$ 50,000	\$ 12,341
Park maintenance/improvements	8,816	8,264	50,000	41,736
Youth athletic programs	10,625	6,946	15,000	8,054
Salaries	37,073	42,414	42,000	(414)
Capital purchases	8,849	45,749	15,000	(30,749)
Insurance	4,064	4,735	5,000	265
Ball field maintenance/improvements	2,604	2,591	50,000	47,409
Concession expense	6,566	2,520	6,000	3,480
Utilities	3,639	3,433	6,000	2,567
Park project	1,589	8,115	10,000	1,885
Payroll taxes	2,824	3,223	4,000	777
Advertising	-	164	-	(164)
Travel	-	531	-	(531)
Other	3,947	3,441	8,000	4,559
Total expenditures	95,117	169,785	\$ 261,000	\$ 91,215
Receipts over (under) expenditures	28,229	(48,618)		
Unencumbered cash, beginning of year	106,787	135,016	\$ 139,420	\$ (4,404)
Unencumbered cash, end of year	\$ 135,016	\$ 86,398	\$ 720	\$ 85,678

See Independent Auditor's Report.

**SPEARVILLE RECREATION COMMISSION  
SPEARVILLE, KANSAS**

**CONSTRUCTION FUND**

**SCHEDULE OF RECEIPTS AND EXPENDITURES  
REGULATORY BASIS**

For the Year Ended June 30, 2017

	<u>Actual</u>
Receipts:	
Grant income	\$ 798,569
Expenditures:	
Ball field maintenance/improvements	<u>196,539</u>
Receipts over (under) expenditures	602,030
Unencumbered cash, beginning of year	<u>-</u>
Unencumbered cash, end of year	<u><u>\$ 602,030</u></u>

See Independent Auditor's Report.