SPRING HILL RECREATION COMMISSION

Spring Hill, Kansas

Financial Statements

For the Year Ended June 30, 2022

SPRING HILL RECREATION COMMISSION
SPRING HILL, KANSAS

Financial Statements
For the Year Ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Spring Hill Recreation Commission
Spring Hill, Kansas

Adverse and Unmodified Opinions
We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Spring Hill Recreation Commission (the Commission), a related municipal entity of the Spring Hill Unified School District No. 230, Spring Hill, Kansas, as of and for the year ended June 30, 2022, and the related notes to the financial statement.

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 and Unmodified Opinions section of our report, the accompanying financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Commission as of June 30, 2022, 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 accompanying financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Commission as of June 30, 2022, 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.

Basis for Adverse and Unmodified Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, and the *Kansas Municipal Audit and Accounting Guide*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Commission, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

Matter Giving Rise to Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the financial statement is prepared by the Commission on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Responsibilities of Management 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.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statement
Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- obtain an understanding of internal control relevant to the audit 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 Commission's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 and schedule of regulatory basis receipts and expenditures-agency funds (Schedules 1, 2 and 3 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.

Other Matters

Other Matter

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

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the Spring Hill Recreation Commission as of and for the year ended June 30, 2021 (not presented herein), and have issued our report thereon dated October 8, 2021, which contained an unmodified opinion on the basic financial statement. The 2021 basic financial statement and our accompanying report are not presented herein but are available in electronic form from the web site of the Kansas Department of Administration at the following link https://admin.ks.gov/offices/oar/municipalservices. The 2021 actual column (2021 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures—actual and budget for the year ended June 30, 2021 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2021 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 2021 basic financial statement. The 2021 comparative information was subjected to the auditing procedures applied in the audit of the 2021 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 2021 basic financial statement or to the 2021 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 2021 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended June 30, 2021, on the basis of accounting described in Note 1.

Gordon CPA LLC

Certified Public Accountant
Lawrence, Kansas

November 17, 2022

SPRING HILL RECREATION COMMISSION
SPRING HILL, KANSAS

Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended June 30, 2022

Fund	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add: Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General Fund:						
General	$ 872,704	$ 981,845	$ 934,801	$ 919,748	$ -	$ 919,748
Special Purpose Fund:						
Program	58,502	103,132	124,751	36,883	-	36,883
Employee Benefit	242,547	161,562	168,046	236,063	-	236,063
Total	$ 1,173,753	$ 1,246,539	$ 1,227,598	$ 1,192,694	$ -	$ 1,192,694

Composition of Cash	
State Bank of Spring Hill	
Operations Checking	$ 553,365
Program Checking	36,883
Employee Benefit Checking	236,063
CIP Checking	366,383
Total Cash	$ 1,192,694

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

SPRING HILL RECREATION COMMISSION

Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 1 - Summary of Significant Accounting Policies

Reporting Entity

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

Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The *Kansas Municipal Audit and Accounting Guide* (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The Commission has approved a resolution that is in compliance with K.S.A. 75-1120a(c) waiving the requirement for application of generally accepted accounting principles and allowing the Commission to use the regulatory basis for accounting.

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

Regulatory Basis Fund Types

The following types of funds comprise the financial activities of the Commission for the year ended June 30, 2022:

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

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

Budgetary Information

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

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

NOTE 1 - Summary of Significant Accounting Policies (Continued)

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

If the Commission is holding a revenue neutral rate hearing, the budget timeline for adoption of the final budget has been adjusted to on or before September 20th. The Commission was not required to hold a revenue neutral rate hearing for this year.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipts other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the year ended June 30, 2022.

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

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

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

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

NOTE 2 - Deposits and Investments

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

Investments. K.S.A. 12-1675 limits the Commission's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Commission has no investment policy that would further limit its investment choices. As of June 30, 2022, the Commission held no investments.

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

NOTE 2 - Deposits and Investments (Continued)

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 Commission, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Commission has no designated "peak periods."

At June 30, 2022, the Commission's carrying amount of deposits was $1,192,694 and the bank balance was $1,302,672. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, $500,000 was covered by federal depository insurance, $802,672 was collateralized with securities held by the pledging financial institutions' agents in the Commission's name.

NOTE 3 - Compensated Absences

The Commission's policy regarding sick pay is to grant personnel sick leave at 4 hours per pay period. Compensation is not paid out for unused sick days at termination. The Commission allows vacation leave to be accrued based on the table below. Unused vacation days are paid out in full to terminated employees. The Commission's estimated liability for compensated absences as of June 30, 2022 was $14,356.

Each full-time employee shall accrue vacation leave at the following rate:

Number of Years Employed	Hours Accrued Per Pay Period	Hours Accrued Per Year	Max Accrual
0-2 Years	3.5	91	100
3-5 Years	4	104	114
6-8 Years	4.5	117	129
9-11 Years	5	130	143
12-14 Years	5.5	143	157
15-17 Years	6	156	172
18+ Years	6.5	169	186

NOTE 4 - Defined Benefit Pension Plan

Plan Description. The Commission participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing, multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, etc. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org 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.

NOTE 4 - Defined Benefit Pension Plan (Continued)

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate and the statutory contribution rate (not including the 1% contribution rate for the Death and Disability Program) was and the statutory contribution rate was 8.87% for the fiscal year ended June 30, 2022. Contributions to the pension plan from the Commission were $29,351 for the year ended June 30, 2022.

At June 30, 2022, the Commission's proportionate share of the collective net pension liability reported by KPERS was $186,113. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020, which was rolled forward to June 30, 2021. The Commission's proportion of the net pension liability was based on the ratio of the Commission's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

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

NOTE 5 - Long-Term Debt

Finance Lease. The Recreation Commission signed a lease agreement on May 1, 2022, to rent office space. The lease agreement calls for 108 monthly payments of $3,700 starting on July 1, 2022. The lease is scheduled to end on June 30, 2031.

NOTE 6 - Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission carries commercial insurance for risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 7 - Contingencies

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

SPRING HILL RECREATION COMMISSION
SPRING HILL, KANSAS

Summary of Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2022

Fund	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year Budget	Variance Over [Under]
General Fund:					
General	$ 1,371,000	$ -	$ 1,371,000	$ 934,801	$ [436,199]
Special Purpose Fund:					
Employee Benefit	405,000	-	405,000	168,046	[236,954]

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

SPRING HILL RECREATION COMMISSION
SPRING HILL, KANSAS

Schedule of Receipts and Expenditures - Actual and Budget
General Fund
Regulatory Basis
For the Year Ended June 30, 2022
(With Comparative Actual Amounts For the Year Ended June 30, 2021)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over [Under]
Receipts				
Ad valorem tax	$ 810,587	$ 885,325	$ 801,526	$ 83,799
Delinquent tax	5,288	2,472	3,927	[1,455]
Motor vehicle tax	97,789	91,839	116,754	[24,915]
Interest income	3,234	2,209	1,000	1,209
Total Receipts	916,898	981,845	$ 923,207	$ 58,638
Expenditures				
Salaries	314,896	381,959	$ 380,000	$ 1,959
Membership dues and fees	4,046	4,306	5,000	[694]
Playground and ball field maintenance	98,882	145,857	207,000	[61,143]
Advertising and community outreach	6,443	4,015	12,000	[7,985]
Capital outlay for equipment	166,369	167,481	78,000	89,481
Insurance	17,668	31,076	30,000	1,076
Office and administrative expense	43,267	56,236	34,000	22,236
Software services and computer maintenance	22,845	36,713	24,000	12,713
Conferences, training and travel	5,684	14,946	26,000	[11,054]
Professional fees	21,190	25,477	25,000	477
Miscellaneous expenses	76,606	66,735	125,000	[58,265]
Cash reserve	-	-	425,000	[425,000]
Total Expenditures	777,896	934,801	$ 1,371,000	$ [436,199]
Receipts Over [Under] Expenditures	139,002	47,044		
Unencumbered Cash, Beginning	733,702	872,704		
Unencumbered Cash, Ending	$ 872,704	$ 919,748		

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

SPRING HILL RECREATION COMMISSION
SPRING HILL, KANSAS

Schedule of Receipts and Expenditures - Actual
Program Fund*
Regulatory Basis
For the Years Ended June 30, 2022 and 2021

	Prior Year Actual	Current Year Actual
Receipts		
Fees	$ 44,067	$ 93,462
Sponsorships	13,820	9,670
Total Receipts	57,887	103,132
Expenditures		
Direct program costs	51,794	124,751
Total Expenditures	51,794	124,751
Receipts Over [Under] Expenditures	6,093	[21,619]
Unencumbered Cash, Beginning	52,409	58,502
Unencumbered Cash, Ending	$ 58,502	$ 36,883

* This fund is not required to be budgeted.

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

SPRING HILL RECREATION COMMISSION
SPRING HILL, KANSAS

Schedule of Receipts and Expenditures - Actual and Budget
Employee Benefit Fund
Regulatory Basis
For the Year Ended June 30, 2022
(With Comparative Actual Amounts For the Year Ended June 30, 2021)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over [Under]
Receipts				
Ad valorem tax	$ 138,294	$ 153,142	$ 138,604	$ 14,538
Delinquent tax	638	260	680	[420]
Motor vehicle tax	1,685	8,160	10,305	[2,145]
Miscellaneous	81	-	4,500	[4,500]
Total Receipts	140,698	161,562	$ 154,089	$ 7,473
Expenditures				
Health insurance	85,749	90,825	$ 85,000	$ 5,825
Social security	25,756	30,032	29,000	1,032
KPERS	29,482	29,351	30,000	[649]
Unemployment insurance	1,399	4,924	1,000	3,924
Workers compensation insurance	-	7,914	4,000	3,914
Employee tuition reimbursement	3,000	5,000	6,000	[1,000]
Cash reserve	-	-	250,000	[250,000]
Total Expenditures	145,386	168,046	$ 405,000	$ [236,954]
Receipts Over [Under] Expenditures	[4,688]	[6,484]		
Unencumbered Cash, Beginning	247,235	242,547		
Unencumbered Cash, Ending	$ 242,547	$ 236,063		

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