

TONGANOXIE RECREATION COMMISSION

Tonganoxie, Kansas

Financial Statements

For the Year Ended June 30, 2017

TONGANOXIE RECREATION COMMISSION
TONGANOXIE, KANSAS

Financial Statements
For the Year Ended June 30, 2017

Table of Contents

	<u>Page Number</u>
INTRODUCTORY SECTION	
Table of Contents	i
FINANCIAL SECTION	
Independent Auditor's Report	1 - 2
Summary Statement of Receipts, Expenditures and Unencumbered Cash	3
Notes to the Financial Statements	4 - 7
Supplementary Information	
Schedule 1	
Summary of Expenditures - Actual and Budget	8
Schedule 2	
Schedule of Receipts and Expenditures - Actual and Budget	
General Fund	9
Employee Benefits Fund	10



MIZE & HOUSER
COMPANY P.A.

INDEPENDENT AUDITOR'S REPORT

Tonganoxie Recreation Commission
Tonganoxie, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Tonganoxie Recreation Commission (the Commission), a related municipal entity of the Tonganoxie Unified School District No. 464, Tonganoxie, 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 financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 financial statement, the financial statement is prepared by the Commission 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 the 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 balance of the Commission as of June 30, 2017, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

Report on Supplementary Information

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 and 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 statements, 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 financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the 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 financial statement as a whole, on the basis of accounting described in Note 1.

Other Matter

The 2016 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 comparative analysis and is not a required part of the 2016 basic financial statement upon which we rendered an unmodified opinion dated December 20, 2016. The 2016 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: <http://da.ks.gov/ar/muniserv/>. 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 statements. The 2016 comparative information was subjected to auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2016 basic financial statements 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 presented in all material respects in relation to the 2016 basic financial statements as a whole, on the basis of accounting described in Note 1.

Mike Houser: Company PA

Certified Public Accountants

Lawrence, Kansas
January 19, 2018

TONGANOXIE RECREATION COMMISSION

Regulatory Basis
Summary Statement of Receipts, Expenditures and Unencumbered Cash
For the Year Ended June 30, 2017

<u>Fund</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Prior Year Cancelled Encumbrances</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add: Outstanding Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
General Fund:							
General	\$ 296,841	\$ -	\$ 605,589	\$ 578,686	\$ 323,744	\$ 4,362	\$ 328,106
Special Purpose Fund:							
Employee Benefits	<u>195,750</u>	<u>-</u>	<u>117,038</u>	<u>81,342</u>	<u>231,446</u>	<u>-</u>	<u>231,446</u>
Total	<u>\$ 492,591</u>	<u>\$ -</u>	<u>\$ 722,627</u>	<u>\$ 660,028</u>	<u>\$ 555,190</u>	<u>\$ 4,362</u>	<u>\$ 559,552</u>

Composition of Cash

First State Bank	Checking	\$ 13,454
	Checking - Employee Benefits	215,282
	Checking - Money Market	318,150
	Checking - Jane Berry Memorial Fund	575
	Escrow	540
	Total First State Bank	<u>548,001</u>
Community National Bank	Checking - Money Market	<u>11,551</u>
	Total Community National Bank	<u>11,551</u>
	Total Cash	<u>\$ 559,552</u>

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

TONGANOXIE RECREATION COMMISSION

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

NOTE 1 - Summary of Significant Accounting Policies

Reporting Entity

Tonganoxie Recreation Commission (the Commission) is a related municipal entity of the Tonganoxie Unified School District No. 464 (the District). 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 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 City of Tonganoxie, and one by the District's and City's appointees.

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, and 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 municipality to use the regulatory basis for accounting.

Fund Descriptions

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

Governmental Funds

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.

TONGANOXIE RECREATION COMMISSION

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

NOTE 1 – Summary of Significant Accounting Policies (Continued)

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). Although directory rather than mandatory, 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 August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
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.

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. The budget was not amended for the year ended June 30, 2017.

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 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.

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 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.

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, 2017, the Commission held no such 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.

TONGANOXIE RECREATION COMMISSION

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

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 City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at June 30, 2017.

At June 30, 2017, the Commission's carrying amount of deposits was \$559,552 and the bank balance was \$563,223. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$261,556 was covered by federal depository insurance and \$301,667 was collateralized with securities held by the pledging financial institutions' agents in the Commission's name.

NOTE 3 - Compensated Absences

The Recreation Commission's policy regarding sick pay is to grant personnel sick leave at 10 days a year up to 90 days; no compensation is paid out for unused sick days. The Recreation Commission allows vacation leave at two weeks per year. After 10 years of service, vacation leave increases to three weeks per year. After 15 years of service, vacation leave increases to 4 weeks per year. The Commission also grants two personal days each year. The Commission has not computed or recorded the liability for compensated absences at year end.

NOTE 4 - Long-Term Debt

During the year ended June 30, 2017, the following changes occurred in long term liabilities:

<u>Type of Issue</u>	<u>Beginning Principal Outstanding</u>	<u>Additions to Principal</u>	<u>Reductions of Principal</u>	<u>Ending Principal Outstanding</u>	<u>Interest Paid</u>
To be paid with tax levies:					
Lease agreement	\$ 297,109	\$ -	\$ 71,112	\$ 225,997	\$ 11,027

Lease Agreement: As of May 9, 2008, the Commission has entered into an agreement with the City of Tonganoxie to acquire and improve a sports facility. The agreement was amended on September 14, 2009. The future minimum payment obligations under this agreement as of June 30, 2017 are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 73,763	\$ 8,376	\$ 82,139
2019	76,762	5,377	82,139
2020	75,472	2,256	77,728
Total	\$ 225,997	\$ 16,009	\$ 242,006

TONGANOXIE RECREATION COMMISSION

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

NOTE 5 – Retirement Plan

The Recreation Commission offers a SEP-IRA retirement plan to qualifying employees. The Commission contributes 10% of gross W-2 wages to the retirement plan.

For the year ended June 30, 2017, the Commission recognized pension expense of \$18,364.

NOTE 6 - Risk Management

The Recreation 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 Recreation 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.

TONGANOXIE RECREATION COMMISSION

Regulatory Basis
 Summary of Expenditures - Actual and Budget
 For the Year Ended June 30, 2017

<u>Fund</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year Budget</u>	<u>Variance Over [Under]</u>
General Fund:					
General	\$ 644,057	\$ -	\$ 644,057	\$ 578,686	\$ 65,371
Special Purpose:					
Employee Benefits	109,000	-	109,000	81,342	27,658

See independent auditor's report on the financial statements.

TONGANOXIE RECREATION COMMISSION

General Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2017
(With Comparative Actual Amounts For the Year Ended June 30, 2016)

	Prior Year	Current Year		Variance Over Under
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>[Under]</u>
Receipts				
District Funding	\$ 533,541	\$ 522,000	\$ 500,000	\$ 22,000
Interest	739	1,002	700	302
Athletic Fees	51,315	50,163	62,600	[12,437]
Camps and Clinics	2,677	1,472	-	1,472
Advertising	12,625	14,195	10,000	4,195
Other Programs	14,803	12,203	-	12,203
Grants and Donations	-	1,800	-	1,800
Miscellaneous	3,945	2,754	2,320	434
Total Receipts	<u>619,645</u>	<u>605,589</u>	<u>\$ 575,620</u>	<u>\$ 29,969</u>
Expenditures				
Administration	223,940	237,691	\$ 285,318	\$ 47,627
Programs	58,681	60,347	68,600	8,253
Grounds and Maintenance	138,010	172,434	146,000	[26,434]
Capital Improvements	135,328	108,214	127,139	18,925
Miscellaneous	-	-	17,000	17,000
Total Expenditures	<u>555,959</u>	<u>578,686</u>	<u>\$ 644,057</u>	<u>\$ 65,371</u>
Receipts Over [Under] Expenditures	63,686	26,903		
Unencumbered Cash, Beginning	<u>233,155</u>	<u>296,841</u>		
Unencumbered Cash, Ending	<u>\$ 296,841</u>	<u>\$ 323,744</u>		

See independent auditor's report on the financial statements.

TONGANOXIE RECREATION COMMISSION

Employee Benefits Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2017
(With Comparative Actual Amounts For the Year Ended June 30, 2016)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
District Funding	\$ 125,327	\$ 117,038	\$ 115,300	\$ 1,738
Total Receipts	<u>125,327</u>	<u>117,038</u>	<u>\$ 115,300</u>	<u>\$ 1,738</u>
Expenditures				
Employer's FICA	15,778	18,734	\$ 18,500	\$ [234]
Retirement IRA	15,882	18,364	19,000	636
Health Insurance	58,702	41,714	62,000	20,286
Workman's Compensation	<u>5,045</u>	<u>2,530</u>	<u>9,500</u>	<u>6,970</u>
Total Expenditures	<u>95,407</u>	<u>81,342</u>	<u>\$ 109,000</u>	<u>\$ 27,658</u>
Receipts Over [Under] Expenditures	29,920	35,696		
Unencumbered Cash, Beginning	<u>165,830</u>	<u>195,750</u>		
Unencumbered Cash, Ending	<u>\$ 195,750</u>	<u>\$ 231,446</u>		

See independent auditor's report on the financial statements.