

**ELLIS RECREATION COMMISSION**

Financial Statements with Independent Auditors' Report

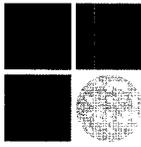
For the Year Ended June 30, 2009

**ELLIS RECREATION COMMISSION**  
Financial Statements with Independent Auditors' Report  
For the Year Ended June 30, 2009

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Certified  
Public  
Accountants

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
**Ellis Recreation Commission**  
Ellis, Kansas 67637

We have audited the accompanying financial statements of the **Ellis Recreation Commission**, a component unit of Unified School District No. 388, Ellis, Kansas, as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the **Ellis Recreation Commission's** management. Our responsibility is to express opinions on these financial statements based on our audit. The financial statements of **Ellis Recreation Commission** as of June 30, 2008 were audited by other auditors whose opinion, dated November 10, 2008, on those statements was qualified because of the departure from generally accepted accounting principles described in the third paragraph.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit Guide. Those standards and the audit guide require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1, the **Ellis Recreation Commission** has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the **Ellis Recreation Commission**, as of June 30, 2009, or changes in financial position for the year then ended. Further, the **Ellis Recreation Commission** has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of the **Ellis Recreation Commission**, as of June 30, 2009, their respective cash receipts and disbursements and budgetary results for the year then ended, on the basis of accounting described in Note 1.

*Adams, Brown, Beran & Ball*

**ADAMS, BROWN, BERAN & BALL, CHTD.**  
Certified Public Accountants

November 18, 2009

**ELLIS RECREATION COMMISSION**  
 Summary of Cash Receipts, Expenditures, and Unencumbered Cash  
 For the Year Ended June 30, 2009

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
<b>Governmental Fund Categories</b>							
General Fund	\$ 131,112	-	169,640	163,573	137,179	5,141	142,320
Special Revenue Fund Employee Benefits Fund	9,630	-	18,878	16,539	11,969	428	12,397
<b>Total Reporting Entity</b>	<b>\$ 140,742</b>	<b>-</b>	<b>188,518</b>	<b>180,112</b>	<b>149,148</b>	<b>5,569</b>	<b>154,717</b>
			<b>Composition of Cash:</b>				
					Checking Accounts		\$ 107,964
					Certificates of Deposit		46,753
					<b>Total Reporting Entity</b>		<b>\$ 154,717</b>

**ELLIS RECREATION COMMISSION**  
 Summary of Expenditures - Actual and Budget  
 For the Year Ended June 30, 2009

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Favorable (Unfavorable)
<b>Governmental Fund Categories</b>					
<b>General Fund</b>	\$ 166,690	-	166,690	163,573	3,117
<b>Special Revenue Fund</b>					
Employee Benefits Fund	18,878	-	18,878	16,539	2,339

## ELLIS RECREATION COMMISSION

## General Fund

Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended June 30, 2009  
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2008)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
<b>Cash Receipts</b>				
Appropriations	\$ 120,000	<b>138,000</b>	138,000	-
Interest on Idle Funds	2,376	<b>1,566</b>	-	1,566
Participation Fees	33,516	<b>24,177</b>	28,690	(4,513)
Miscellaneous	3,643	<b>5,397</b>	-	5,397
Donations	1,016	<b>500</b>	-	500
<b>Total Cash Receipts</b>	<u>160,551</u>	<u><b>169,640</b></u>	<u>166,690</u>	<u>2,950</u>
<b>Expenditures</b>				
Administration	29,400	<b>32,052</b>	32,340	288
Adult Programs	50	<b>130</b>	1,000	870
Advertising	5,849	<b>2,061</b>	3,500	1,439
Baseball/Softball	18,709	<b>14,849</b>	15,000	151
Boys/Girls Basketball	3,237	<b>3,348</b>	3,500	152
Capital Outlay	9,365	<b>31,730</b>	24,300	(7,430)
Co-Ed Softball	1,106	<b>566</b>	1,800	1,234
Concessions	-	<b>3,346</b>	3,000	(346)
Ellis Summer Basketball League	2,486	<b>840</b>	1,200	360
Fair Board Lease	1,000	<b>1,000</b>	1,000	-
Federated/Youth Football	2,024	<b>3,366</b>	3,000	(366)
General Maintenance	8,023	<b>11,872</b>	10,000	(1,872)
Hourly Help	8,654	<b>11,279</b>	11,000	(279)
Hunter Safety	24	-	100	100
Insurance	5,712	<b>3,314</b>	3,300	(14)
Junior Golf	1,075	<b>223</b>	1,200	977
Kickball/Track	386	<b>168</b>	500	332
Legal and Professional	4,790	<b>6,041</b>	11,000	4,959
Maintenance - Salaries	4,991	<b>6,695</b>	6,400	(295)
Men's Basketball Tournaments	1,418	<b>2,071</b>	3,000	929
Miscellaneous	6,588	<b>3,426</b>	3,000	(426)
New Programs	1,528	<b>512</b>	1,500	988
Office	4,383	<b>6,381</b>	4,500	(1,881)
Professional Development	-	<b>554</b>	2,000	1,446
Senior Programs	367	<b>561</b>	2,000	1,439
Soccer	6,726	<b>5,051</b>	5,500	449
Special Events	1,916	<b>2,183</b>	2,500	317
Utilities	2,923	<b>3,262</b>	3,850	588
Volleyball	3,260	<b>2,137</b>	3,200	1,063
Youth Leisure Programs	825	<b>4,555</b>	2,500	(2,055)
<b>Total Expenditures</b>	<u>136,815</u>	<u><b>163,573</b></u>	<u>166,690</u>	<u>3,117</u>
<b>Receipts Over (Under) Expenditures</b>	23,736	<b>6,067</b>		
<b>Unencumbered Cash, July 1</b>	<u>107,376</u>	<u><b>131,112</b></u>		
<b>Unencumbered Cash, June 30</b>	\$ <u>131,112</u>	<u><b>137,179</b></u>		

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

**ELLIS RECREATION COMMISSION**  
**Employee Benefits Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended June 30, 2009  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2008)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
<b>Cash Receipts</b>				
Appropriations	\$ 13,844	<b>18,878</b>	18,878	-
<b>Expenditures</b>				
KPERs	1,687	<b>2,608</b>	2,500	(108)
Liability Insurance	-	<b>1,439</b>	1,600	161
Linebacker Insurance	-	<b>909</b>	1,098	189
Health Insurance	6,729	<b>7,653</b>	7,600	(53)
Worker Compensation Insurance	643	<b>865</b>	900	35
Unemployment Taxes	45	<b>51</b>	180	129
FICA - Employer's Share	3,502	<b>3,014</b>	5,000	1,986
<b>Total Expenditures</b>	12,606	<b>16,539</b>	18,878	2,339
<b>Receipts Over (Under) Expenditures</b>	1,238	<b>2,339</b>		
<b>Unencumbered Cash, July 1</b>	8,392	<b>9,630</b>		
<b>Unencumbered Cash, June 30</b>	\$ 9,630	<b>11,969</b>		

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

## ELLIS RECREATION COMMISSION

Notes to Financial Statements

June 30, 2009

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### 1. Summary of Significant Accounting Policies

The **Ellis Recreation Commission** has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to the statutory basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

#### A. Financial Reporting Entity

The **Ellis Recreation Commission** is authorized by K.S.A. 12-1922 under an agreement with Unified School District No. 388, Ellis, Kansas to provide a system of public recreation and playgrounds. The governing body of the Recreation Commission consists of five members: two appointed by Unified School District No. 388, Ellis, Kansas, two appointed by the City of Ellis, Kansas, and one appointed by the first four appointed members. These financial statements consist of all the funds of the Recreation Commission. The Recreation Commission receives funding from local and state governmental sources and must comply with the requirements of these funding sources.

The **Ellis Recreation Commission** is a component unit of Unified School District No. 388, Ellis, Kansas. The Recreation Commission is controlled by or dependent on Unified School District No. 388, Ellis, Kansas. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board. These financial statements include only the funds of the Recreation Commission.

#### B. Basis of Presentation - Fund Accounting

The accounts of the Recreation Commission are organized and operated on the basis of funds. In governmental accounting, a fund is 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 are maintained consistent with legal and managerial requirements.

The following categories of funds comprise the financial activities of the Recreation Commission for the year ended June 30, 2009.

##### Governmental Fund Categories

**General Fund** – reports as the primary fund of the Recreation Commission. This fund is used to account for all financial resources not reported in other funds.

**Special Revenue Fund** – to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expend for specific purposes.

#### C. Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the statutory basis and budget laws of the State of Kansas.

Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase

## ELLIS RECREATION COMMISSION

Notes to Financial Statements

June 30, 2009

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### **C. Statutory Basis of Accounting (cont.)**

order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The **Ellis 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 statutory basis of accounting.

### **D. Departure from Accounting Principles Generally Accepted in the United States of America**

The basis of accounting described above results in a financial statement presentation, which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the Recreation Commission are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

### **E. Accounting for Capital Assets and Depreciation**

The Recreation Commission does not maintain a record of capital assets used in performance of general government operations as required by generally accepted accounting principles.

### **F. Budgetary Information**

Kansas statutes require that an annual operating budget be legally adopted for the general fund and special revenue 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. Prior to certification of the budget to Unified School District No. 388, Ellis, Kansas, the Recreation Commission will meet to answer questions and objections of taxpayers relating to the proposed budget or for amendments to the proposed budget.
2. Publication in the local newspaper of the proposed budget notice of public hearing on the budget ten days prior to meeting.
3. Public hearing to be held not less than ten days prior to the date on which the Recreation Commission is required to certify its budget to Unified School District No. 388, Ellis, Kansas.
4. Adoption of the final budget to Unified School District No. 388, Ellis, Kansas no later than August 1<sup>st</sup>.

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

## ELLIS RECREATION COMMISSION

Notes to Financial Statements

June 30, 2009

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### **F. Budgetary Information (cont.)**

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 statutory basis of accounting, in which revenues 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 Recreation 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.

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.

### **G. Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds.

### **H. Deposits and Investments**

The Recreation Commission follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund type in the Summary of Cash Receipts, Expenditures, and Unencumbered Cash.

At June 30, 2009, the Recreation Commission had no 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 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 Recreation Commission has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Recreation 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 Recreation Commission has no investment policy that would further limit its investment choices.

*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. The Recreation Commission has no investments.

*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

## ELLIS RECREATION COMMISSION

Notes to Financial Statements

June 30, 2009

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### H. Deposits and Investments (cont.)

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 did not use "peak periods" during fiscal year 2009. All deposits were legally secured at June 30, 2009.

At June 30, 2009, the Recreation Commission's carrying amount of deposits was \$154,717 and the bank balance was \$163,564. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$163,564 was covered by federal depository insurance.

### I. Property Tax Calendar

Property taxes are collected and remitted by the County Treasurer. Taxes levied annually on November 1<sup>st</sup> are due one-half by December 20<sup>th</sup> and one-half by May 10<sup>th</sup>. Major property tax payments are received January through July and are recognized as revenue in the year received.

### J. Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods are recorded as expenditures during the year of purchase as required by state statutes.

### K. Compensated Absences

Currently, the Recreation Commission does not have a compensated absences policy implemented. The Director is required to work forty (40) hours per week. After these hours are met, the director is allowed to take vacation.

### L. Defined Benefit Pension Plan

**Plan Description** - The Recreation Commission contributes to 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. KPERs provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERs issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERs (611 South Kansas Avenue, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

**Funding Policy** - K.S.A. 74-4919 establishes the KPERs member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERs is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERs employer rate established by statute for calendar year 2008 is 5.93% and 2009 is 6.54%. The Recreation Commission's employer contributions to KPERs for the years ending June 30, 2009 was \$2,022, equal to the required contributions.

### M. Reimbursements

The Recreation Commission records reimbursable expenditures (or expenses) in the fund that makes the disbursement and records reimbursement as revenue to the fund.

**ELLIS RECREATION COMMISSION**  
Notes to Financial Statements  
June 30, 2009

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**2. Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the statutory basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**3. Risk Management - Claims and Judgments**

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 has been able to obtain workman's compensation and errors and omissions insurance at a cost it considered to be economically justifiable.

The Recreation Commission carries commercial insurance for other risks of loss, including property, general liability, and fidelity bond coverage.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three calendar years.

Liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. As of June 30, 2009, the financial statements do not include liabilities for anticipated costs.

**4. Litigation**

The Recreation Commission is party to various legal proceedings which normally occur in governmental operations. The legal proceedings are not likely to have a material adverse impact on the funds of the Recreation Commission.

**5. Comparative Data**

Comparative total data for the prior year has been presented in Statement 3 in the accompanying financial statements in order to provide an understanding of changes in the Recreation Commission's cash and unencumbered cash balances. However, complete comparative data (i.e., presentation of prior year totals in Statement 1 and Statement 2) has not been presented since their inclusion would make certain statements unduly complex and difficult to read.

**6. Compliance with Kansas Statutes**

The Recreation Commission has checks outstanding for more than two years which is in violation of K.S.A. 10-816.

**7. Operating Leases**

The Recreation Commission is obligated under certain leases accounted for as operating leases. On January 1, 2006, the Recreation Commission entered into a thirty year operating lease agreement with the Ellis County Junior Free Fair Association, Inc. for real estate located in the City of Ellis, Kansas. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the Recreation Commission's financial statements. A payment of \$1,000 was paid during fiscal year 2009. Payments are due by January 31<sup>st</sup> of each year.

**ELLIS RECREATION COMMISSION**  
Notes to Financial Statements  
June 30, 2009

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**7. Operating Leases (cont.)**

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2009.

Year Ended June 30	Amount
2010	\$ 1,000
2011	1,000
2012	1,000
2013	1,000
2015	1,000
2015 - 2019	5,000
2020 - 2024	5,000
2025 - 2029	5,000
2030 - 2034	5,000
2035	1,000
<b>Total</b>	<b>\$ <u>26,000</u></b>

**8. Long-Term Debt**

The Recreation Commission has the following types of Long-Term Debt:

**Lease Obligations** – The Recreation Commission has entered into a lease agreement with an option to purchase at the expiration of the lease term. The lease contains a fiscal funding clause. The lease expires June 2, 2010. Payments totaling \$3,682 are due by the expiration date, \$3,485 in principal and \$197 in interest.

The changes in long-term debt are disclosed on the next page.

**ELLIS RECREATION COMMISSION**  
Notes of Financial Statements  
**Note 8 - Statement of Changes in Long-Term Debt**  
For the Year Ended June 30, 2009

Issue	Interest Rate	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
<b>Capital Lease</b> John Deere Tractor, Rake, and Loader	8.90%	06/02/05	\$ 14,708	06/02/10	\$ 6,674	-	(3,189)	(3,189)	3,485	493