

HUTCHINSON RECREATION COMMISSION
Hutchinson, Kansas

Financial Statements
With Independent Auditors' Report

For the Year Ended December 31, 2009

HUTCHINSON RECREATION COMMISSION
Financial Statements With Independent Auditors' Report
For the Year Ended December 31, 2009

TABLE OF CONTENTS

Independent Auditors' Report.....	1
Management's Discussion and Analysis	2
Statement 1 - Statement of Net Assets	5
Statement 2 - Statement of Activities	6
Statement 3 - Balance Sheet and Reconciliation – Governmental Fund	7
Statement 4 - Statement of Revenues, Expenditures, and Changes in Fund Balance and Reconciliation – Governmental Funds	9
Notes to Financial Statements.....	11
Required Supplemental Information	
Statement 5	
Summary Statements of Revenues and Expenditures – Budget and Actual	
5-1 General Fund.....	18
5-2 Employee Benefit Fund.....	19
Note to the Supplementary Information.....	20



Phone (620)663-5659 ■ Fax (620)663-6745 ■ www.abbb.com

1701 Landon Street
Hutchinson, Kansas 67502

Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of the
Hutchinson Recreation Commission
Hutchinson, Kansas

We have audited the accompanying financial statements of the governmental activities and each major fund of the **Hutchinson Recreation Commission**, a component unit of Unified School District No. 308, Hutchinson, Kansas as of and for the year ended December 31, 2009, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the **Hutchinson Recreation Commission's** management. Our responsibility is to express opinions on these financial statements 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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund of the Hutchinson Recreation Commission as of December 31, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2 through 4 and 18 through 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operation, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Adams, Brown, Beran & Ball

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

August 13, 2010

HUTCHINSON RECREATION COMMISSION
Management's Discussion and Analysis
December 31, 2009

As management of the **Hutchinson Recreation Commission**, we offer readers of the Commission's financial statements this discussion and analysis of the Commission's financial performance that provides an overview of the Commission's financial activities for the year ended December 31, 2009. Please read in conjunction with the Commission's financial statements, which begins after this letter.

FINANCIAL HIGHLIGHTS

- The assets of the **Hutchinson Recreation Commission** exceeded its liabilities at the close of the most recent fiscal year by \$796,773 (net assets). Of this amount, \$564,082 (unrestricted net assets) may be used to meet the commission's ongoing obligations to citizens.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$634,073 or 37.4 percent of total General Fund expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statement of net assets and statement of activities on pages 5 and 6 provide information about the activities of the Commission as a whole and present a longer-term view to the commission's finances. Fund financial statements start on page 7. For governmental activities these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the commission's operations in more detail than the government wide statements by providing information about the commission's significant funds.

REPORTING THE COMMISSION AS A WHOLE

The Statement of Net Assets and the Statement of Activities

Our analysis of the Commission as a whole begins on page 5. One of the most important questions asked about the Commission's finances is "Is the Commission as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Commission as a whole and about its activities that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Commission's net assets and changes in them. Think of the Commission's net assets - the difference between assets and liabilities - as one way to measure the Commission's financial health or financial position. Over time increases or decreases in the Commission's net assets are one indicator of whether financial health is improving or deteriorating.

TABLE 1
NET ASSETS

	2009	2008
Current Assets	\$ 1,949,519	\$ 1,917,796
Capital Assets	<u>201,166</u>	<u>214,841</u>
Total Assets	<u>2,150,685</u>	<u>2,132,637</u>
Current Liabilities	1,233,759	1,213,131
Other Liabilities	<u>120,153</u>	<u>86,799</u>
Total Liabilities	<u>1,353,912</u>	<u>1,299,930</u>
Invested in Capital Assets	201,166	214,841
Unrestricted	564,082	586,630
Temporarily Restricted	<u>31,525</u>	<u>31,236</u>
Total Net Assets	<u>\$ 796,773</u>	<u>\$ 832,707</u>

HUTCHINSON RECREATION COMMISSION
Management's Discussion and Analysis
December 31, 2009

TABLE 2
STATEMENT OF ACTIVITIES

	2009	2008
Revenues		
Program Revenues		
Services and Fees	\$ 664,503	\$ 687,025
General Revenues		
Property Taxes	1,100,019	1,160,010
Intergovernmental	36,728	27,487
Contractual	41,090	38,080
Interest on Investments	386	13,195
Gifts and Bequests	120,427	121,752
Miscellaneous	15,249	19,914
Total Revenues	<u>1,978,403</u>	<u>2,067,463</u>
 Expenditures		
General Government	<u>2,014,336</u>	<u>2,008,395</u>
 Excess of Revenues Over Expenditures	<u>(35,933)</u>	<u>59,068</u>
 Fund Balance – January 1	<u>832,707</u>	<u>773,639</u>
 Fund Balance – December 31	<u>\$ 796,773</u>	<u>\$ 832,707</u>

REPORTING THE COMMISSION'S SIGNIFICANT FUNDS

Fund Financial Statements

Analysis of the Commission's major funds begins on page 7. The budget analysis fund financial statements begin on page 18 and provide detailed information about the significant funds, not the Commission as a whole. The Commission uses governmental funds.

The Commission's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can regularly be converted to cash. The governmental fund statements provide a short-term view of the Commission's general government operations and the services it provides.

Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Commission's programs. We describe the relationship (or differences) between governmental activities (reported in a statement of net assets and the statement of activities) and the governmental funds in reconciliation at the bottom of the fund financial statements.

At December 31, 2009 and 2008, the Commission's governmental funds reported combined ending fund balances of \$715,760 and \$704,665, respectively. Approximately 95.6 percent of the current total amount constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balances is *reserved* to indicate that it is not available for new spending because it has already been committed for Dillon's Nature Center improvements.

HUTCHINSON RECREATION COMMISSION
Management's Discussion and Analysis
December 31, 2009

The General Fund is the chief operating fund of the Commission. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$634,073, while the total fund balance reached \$665,598.

The fund balance of the Commission's General Fund increased by \$58,107 during the current fiscal year, while the Employee Benefits Fund decreased by \$47,012.

CAPITAL ASSET ADMINISTRATION

At the end of 2009, the Commission had \$201,166 invested in capital assets net of depreciation. Significant capital purchases for 2009 included exercise equipment totaling \$6,450.

TABLE 3
CAPITAL ASSETS AT YEAR-END (NET OF DEPRECIATION)

	<u>2009</u>	<u>2008</u>
Building and Improvements	\$ 172,656	\$ 179,111
Vehicles	13,991	18,654
Recreation and Health Equipment	<u>14,519</u>	<u>17,076</u>
Total	<u>\$ 201,166</u>	<u>\$ 214,841</u>

BUDGETARY HIGHLIGHTS

There was no difference between the original budget and the final adopted budget for the Commission. Both funds' expenditures were within the budgetary limits.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Commission's finances. The report is also designed to show the Commission's accountability for the money it receives.

Further questions concerning this report or the financial status of the **Hutchinson Recreation Commission** should be directed to the Commission's Director's office at 17 East First Avenue, Hutchinson, Kansas 67501 Phone (620) 663-6179.

Bo Frondorf
Finance Director
Hutchinson Recreation Commission

HUTCHINSON RECREATION COMMISSION

Statement of Net Assets

December 31, 2009

<u>ASSETS</u>		<u>Governmental Activities</u>
Current Assets		
Cash and Cash Equivalents	\$	129,589
Investments		588,686
Prepaid Expenses		9,546
Inventory		11,698
Apportionments Receivable		<u>1,210,000</u>
Total Current Assets		<u>1,949,519</u>
Capital Assets - Net of Depreciation		
Building and Improvements		172,656
Vehicles		13,991
Recreation and Health Equipment		<u>14,519</u>
Total Capital Assets		<u>201,166</u>
Total Assets		<u>2,150,685</u>
<u>LIABILITIES</u>		
Current Liabilities		
Accrued Payroll and Liabilities		13,717
Accounts Payable		9,929
Sales Tax Payable		113
Deferred Revenues		<u>1,210,000</u>
Total Current Liabilities		<u>1,233,759</u>
Long-Term Liabilities		
Compensated Absences		<u>120,153</u>
Total Liabilities		<u>1,353,912</u>
<u>NET ASSETS</u>		
Net Assets		
Invested in Capital Assets		201,166
Unrestricted		564,082
Temporarily Restricted		<u>31,525</u>
Total Net Assets	\$	<u><u>796,773</u></u>

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

HUTCHINSON RECREATION COMMISSION
Balance Sheet
Governmental Funds
December 31, 2009

<u>ASSETS</u>			
	General Fund	Employee Benefits Fund	Total Governmental Funds
Current Assets			
Cash and Cash Equivalents	\$ 88,858	40,731	129,589
Investments	588,686	-	588,686
Prepaid Expenses	-	9,546	9,546
Inventory	11,698	-	11,698
Apportionments Receivable	935,000	275,000	1,210,000
Total Current Assets	\$ 1,624,242	325,277	1,949,519
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities			
Accrued Wages	\$ 13,717	-	13,717
Accounts Payable	9,814	115	9,929
Sales Tax Payable	113	-	113
Deferred Revenues	935,000	275,000	1,210,000
Total Liabilities	958,644	275,115	1,233,759
Fund Balance			
Unreserved	634,073	50,162	684,235
Reserved for Improvements	31,525	-	31,525
Total Fund Balance	665,598	50,162	715,760
Total Liabilities and Fund Balance	\$ 1,624,242	325,277	1,949,519

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

HUTCHINSON RECREATION COMMISSION
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
December 31, 2009

Amounts reported for governmental activities in the Statement of Net Assets differ from the fund balances of Governmental Funds on the preceding balance sheet as shown in the following reconciliation:

Fund Balances of Governmental Funds from the Balance Sheet (Statement 3)	\$	715,760
Capital assets, net of depreciation, have not been included as financial resources in Governmental Fund activity on the Balance Sheet.		201,166
Compensated absences have not been included in the Governmental Fund activity on the Balance Sheet.		<u>(120,153)</u>
Net Assets of Governmental Activities as reported on the Statement of Net Assets (Statement 1).	\$	<u><u>796,773</u></u>

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

HUTCHINSON RECREATION COMMISSION
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2009

	General Fund	Employee Benefits Fund	Total Governmental Funds
Revenues			
Property Taxes	\$ 875,666	224,353	1,100,019
Intergovernmental	36,728	-	36,728
Contractual	41,090	-	41,090
Interest on Investments	386	-	386
Gifts and Bequests	120,427	-	120,427
Programs and Fees	664,503	-	664,503
Miscellaneous	15,249	-	15,249
Total Revenues	1,754,049	224,353	1,978,402
Expenditures			
Services - Personal	1,158,931	-	1,158,931
Services - Contractual	254,665	-	254,665
Commodities	158,561	-	158,561
Charges and Obligation	117,335	-	117,335
Capital Outlay	6,450	-	6,450
Employee Benefits	-	271,365	271,365
Total Expenditures	1,695,942	271,365	1,967,307
Excess (Deficiency) of Revenues Over Expenditures	58,107	(47,012)	11,095
Net Change in Fund Balances	58,107	(47,012)	11,095
Fund Balance - January 1	607,491	97,174	704,665
Fund Balance - December 31	\$ 665,598	50,162	715,760

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

HUTCHINSON RECREATION COMMISSION
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended December 31, 2009

Net Change in Fund Balances - Total Governmental Funds (Statement 4)	\$	11,095
<p>Amounts reported for Governmental Activities in the Statement of Activities (Statement 2) are different because:</p>		
<p>Governmental Funds report capital outlays as expenditures. However in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount that depreciation expense (\$20,126) exceed fixed asset additions (\$6,450) in the current period.</p>		(13,676)
<p>Compensated Absences increased from the prior years. These balances are not accounted for in the General Governmental Funds; however, the changes are reflected in the Statement of Activities.</p>		<u>(33,353)</u>
Change in Net Assets of Governmental Activities (Statement 2)	\$	<u><u>(35,934)</u></u>

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

HUTCHINSON RECREATION COMMISSION

Notes to Financial Statements

December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the **Hutchinson Recreation Commission**, relating to the funds included in the accompanying financial statements, conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governments (GASB 34 Edition), and by the Financial Accounting Standards Board, when applicable. The following is a summary of such significant policies:

Financial Reporting Entity

The **Hutchinson Recreation Commission** is authorized by KSA 12-1901 under an agreement with Unified School District No. 308 to provide a system of public recreation and playgrounds. The governing body of the Commission consists of five members: four are appointed by Unified School District No. 308 and the fifth member is appointed by the first four members. These financial statements consist of all the funds of the Commission. The Commission receives funding from local and state governmental sources and must comply with the requirements of these funding sources.

The **Hutchinson Recreation Commission** is a component unit of Unified School District No. 308 of Hutchinson, Kansas. The Commission is controlled by or dependent on Unified School District No. 308 of Hutchinson, 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 Commission. The Commission has no component units that are considered to be controlled by or dependent on the Commission. 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 Commission.

Government-Wide and Fund Financial Statements

The Government-Wide Financial Statements, the Statement of Net Assets and the Statement of Activities report financial information for the Commission as a whole. Individual funds are not displayed.

The Statement of Activities reports the direct expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include charges for services which report fees and other charges to users of the Commission's services and operating grants, which finance annual operating activities including investment income. These revenues are subject to externally imposed restrictions to these program uses. Other revenue sources not properly included with program revenues are reported as general revenues.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets. The operating statements present increases and decreases in net total assets. Under the accrual basis of accounting, revenues are recorded when earned, and expenses are recorded when a liability is incurred.

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available.

HUTCHINSON RECREATION COMMISSION

Notes to Financial Statements

December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

“Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for un-matured interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The Commission reports deferred revenue on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Commission before it has legal claim to them, as when grant monies are received prior to incurring a qualifying expenditure. In subsequent periods, when both revenue recognition criteria are met, or when the Commission has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

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

The **Hutchinson Recreation Commission** reports the following major governmental funds:

Governmental Funds

General Fund – The General Fund is the main operating fund of the Commission. This fund accounts for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Fund – Employee Benefit Fund – to account for resources and expenditures associated with employee health, liability and disability insurance, payroll taxes and employee pensions.

Accounting for Capital Assets and Depreciation

Capital assets, which include property and equipment, are reported in the governmental column of the government-wide financial statements. Capital assets are defined by the Commission as assets or a group of assets that aggregate a cost of \$5,000 or more and an estimated useful life in excess of three years. These assets are valued at historical cost, estimated historical cost if actual cost is not available, or the estimated fair value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The sale or disposal of capital assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

HUTCHINSON RECREATION COMMISSION

Notes to Financial Statements

December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting for Capital Assets and Depreciation (Continued)

Depreciation has been provided over the estimated useful lives using the straight-line method for all items reported in the Commission. The estimated useful lives are as follows:

Building and Improvements	40 Years
Vehicles	5 Years
Recreation and Health Equipment	5 Years

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Depreciable Capital Assets:				
Building and Improvements	\$ 226,169	-	-	226,169
Vehicles	144,404	-	-	144,404
Recreation and Health Equipment	61,347	6,450	(5,499)	62,298
Total Depreciable Capital Assets	431,920	6,450	(5,499)	432,871
Less Accumulated Depreciation	(217,078)	(20,126)	5,499	(231,705)
Governmental Activities Capital Assets Net of Accumulated Depreciation	\$ 214,842	(13,676)	-	201,166

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund and employee benefit fund. 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 the school district, the Commission will meet to answer questions and objections of taxpayers relating to proposed budget or for amendments to proposed budget.
2. Publication in 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 date on which Commission is required to certify its budget to city or school district.
4. Adoption of the final budget to the Unified School District No. 308 no later than August 1.

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.

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.

HUTCHINSON RECREATION COMMISSION
Notes to Financial Statements
December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods and 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. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

Deposits and Investments

The Commission follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized in the combined balance sheet. As of December 31, 2009, the Commission had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years) Less than 1</u>	<u>Rating</u>
Kansas Municipal Investment Pool	<u>\$588,686</u>	<u>\$588,686</u>	S&P AA Af/S1+

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 the 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. The rating of the Commission's investments is noted above.

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. The Commission's allocation of investments as of December 31, 2009 is as follows:

<u>Investments</u>	<u>Percentage of Investments</u>
Kansas Municipal Investment Pool	100%

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 December 31, 2009.

At December 31, 2009, the Commission's carrying amount of deposits was \$129,589. The bank balance was \$133,219. The bank balance was held by one financial institution resulting in a concentration of credit risk. Of the bank balance, \$133,219 was covered by federal depository insurance. In addition, the Commission had cash on hand of \$1,446.

HUTCHINSON RECREATION COMMISSION

Notes to Financial Statements

December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deposits and Investments (Continued)

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

At December 31, 2009, the Commission had invested \$588,686 in the State's municipal investment pool. The municipal investment pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest, by the U.S. government or any agency thereof, with maturities up to four years. No more than ten percent of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers.

Apportionments Receivable

Collection of current year property tax by the County Treasurer is not completed, apportioned, nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operations of the Commission; and therefore, are not susceptible to accrual. Accruals of uncollected current year property taxes are offset by deferred revenues.

Inventories and Prepaid Items

In both government-wide and fund financial statements, payments made to vendors for goods or services that will benefit periods beyond the current fiscal year are recorded as inventory or prepaid items when they are deemed material and it is considered appropriate.

Defined Benefit Pension Plan

Plan Description – The **Hutchinson Recreation Commission**, participates in the Kansas Public Employees Retirement System (KPERs), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. 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 S. Kansas, 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% and 6% (if hired on or after July 1, 2009) 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 contribution rates for KPERs employers. The employer rate established for January 01, 2009 to December 31, 2009 was 6.54 and 12.13% for KPERs retirees. **Hutchinson Recreation Commission** employer contributions to KPERs for the years ended December 31, 2009, 2008, and 2007 were \$46,091, \$45,756, and \$29,709 respectively.

HUTCHINSON RECREATION COMMISSION

Notes to Financial Statements

December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Post Employment Benefits

As provided by K.S.A. 12-5040, the Commission allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the Commission is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Commission makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the Commission under this program.

Compensated Absences

Vacation time is accumulated at the rate of one day per month for full-time employees, and is pro-rated for employees working a minimum of fifteen hours per week. Employees earn additional vacation time after 5, 10, 15, and 20 years of service. Total vacation earned by an employee shall not exceed thirty working days per year. Employees are allowed to carry no more than thirty days accumulated vacation at any time. Upon termination of employment, unused vacation days will be paid at the regular hourly or salaried rate. A provision for future vacation was recorded in the amount of \$96,958 for the year ended December 31, 2009. A full-time employee is allowed one day sick leave per month after the first complete month of employment. Employees working a minimum of fifteen hours per week may accrue sick leave on a pro-rated basis. Employees are allowed to carry over no more than 180 days of accumulated sick leave to the next year. However, upon termination of employment, all sick leave is forfeited, except as follows; Upon retirement, 25% of accrued sick leave will be paid to employees who met the conditions of a minimum of fifteen years service and have reached age 55. Statement 1 and Statement 2 reflect a sick leave liability for those employees who have met the conditions to receive a 25% benefit payment for accrued sick leave upon retirement. A provision for future sick leave was recorded in the amount of \$23,195 for the year ended December 31, 2009. The Commission's maximum potential liability under the plan at December 31, 2009 has been estimated at \$375,774.

NOTE 2 – USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amount and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2009 are available for the following purposes:

Dillon Nature Center Improvements	\$31,525
-----------------------------------	----------

NOTE 4 – LITIGATION

The 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 Commission.

HUTCHINSON RECREATION COMMISSION

Notes to Financial Statements

December 31, 2009

NOTE 5 – RISK MANAGEMENT – CLAIMS AND JUDGEMENTS

The Commission is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has been able to obtain errors and omissions insurance at a cost it considered to be economically justifiable.

The Commission carries commercial insurance for all other risks of loss, including property, general liability, crime, and workers compensation.

There were no significant reductions in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded 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 the loss can be reasonably estimated. As of December 31, 2009, the financial statements do not include liabilities for anticipated costs.

HUTCHINSON RECREATION COMMISSION

Hutchinson, Kansas

Required Supplemental Information

HUTCHINSON RECREATION COMMISSION
General Fund
Summary Statement of Revenues and Expenditures - Budget and Actual
For the Year Ended December 31, 2009

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property Taxes	\$ 914,014	875,666	(38,348)
Intergovernmental	15,000	36,728	21,728
Contractual	-	41,090	41,090
Interest on Investments	12,000	386	(11,614)
Gifts and Bequests	81,000	120,427	39,427
Programs and Fees	995,956	664,503	(331,453)
Miscellaneous	-	15,249	15,249
Total Revenues	2,017,970	1,754,049	(263,921)
Expenditures			
Services - Personal	1,228,796	1,158,931	69,865
Services - Contractual	160,358	254,665	(94,307)
Commodities	289,400	162,012	127,388
Charges and Obligations	225,113	117,335	107,778
Capital Outlay	236,249	6,450	229,799
Total Expenditures	2,139,916	1,699,393	440,523
Excess (Deficiency) of Revenues Over Expenditures	(121,946)	54,656	176,602

See accountants' report.

HUTCHINSON RECREATION COMMISSION
Employee Benefit Fund
 Summary Statement of Revenues and Expenditures - Budget and Actual
 For the Year Ended December 31, 2009

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property Taxes	\$ 275,000	224,354	(50,646)
Expenditures			
KPERS	42,500	46,091	(3,591)
Social Security	59,000	51,303	7,697
Unemployment Taxes	1,150	1,911	(761)
Workmen's Compensation	10,500	9,021	1,479
Health Insurance	138,000	127,972	10,028
Deferred Compensation	35,700	33,695	2,005
Liability Insurance	18,500	16,822	1,678
Total Expenditures	305,350	286,815	18,535
Excess (Deficiency) of Revenues Over Expenditures	(30,350)	(62,461)	(32,111)

See accountants' report.

HUTCHINSON RECREATION COMMISSION
 Note to Required Supplementary Information
 December 31, 2009

BUDGETARY COMPARISON SCHEDULES

Note A – Explanation of Differences Between Statutory Budget Inflows and Outflows and Generally Accepted Accounting Principles (GAAP) Revenue and Expenditures

	<u>General Fund</u>	<u>Employee Benefits Fund</u>
Sources/Inflows of Resources:		
Actual Amounts of Resources (Budgetary Basis) From the Budgetary Comparison Schedules	\$ 1,754,049	224,354
Differences – Budget to GAAP Basis of Accounting Adjustments:		
None	<u>-</u>	<u>-</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	<u>1,754,049</u>	<u>224,354</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) total charges to appropriations from the budgetary comparison schedules	1,699,393	286,815
Differences – Budget to GAAP Basis of Accounting Adjustments:		
Prepaid Expenses	(2,200)	(15,450)
Inventory	<u>(1,251)</u>	<u>-</u>
Total Differences	<u>(3,451)</u>	<u>(15,450)</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	\$ <u>1,695,942</u>	<u>271,365</u>