

MCPHERSON RECREATION COMMISSION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

MCPHERSON RECREATION COMMISSION

FINANCIAL STATEMENTS
For the Year Ended December 31, 2009

TABLE OF CONTENTS

| | <u>Page Numbers</u> |
|------------------------------------|--------------------------------|
| Independent Auditor's Report | 1 |

FINANCIAL SECTION

| | |
|--|--------|
| Statement 1 Summary of Cash Receipts, Expenditures and Unencumbered Cash | 2 |
| Statement 2 Summary of Expenditures - Actual and Budget | 3 |
| Statement 3 Statement of Cash Receipts and Expenditures - Actual and Budget | |
| 3-1 General Operating Fund | 4 |
| 3-2 Employee Benefit and Insurance Fund | 5 |
| Notes to Financial Statements | 6 - 12 |

ADDITIONAL INFORMATION

| | |
|---|----|
| Schedule 1 Schedule of Employee Insurance (Unaudited) | 13 |
|---|----|



SWINDOLL
JANZEN
HAWK &
LOYD, LLC

Certified Public Accountants

B. Carver Swindoll, CPA
Keith S. Janzen, CPA
Kyle J. Hawk, CPA
D. Scot Loyd, CGFM, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
McPherson Recreation Commission
McPherson, Kansas 67460

We have audited the accompanying financial statements of the McPherson Recreation Commission, McPherson, Kansas, as of and for the year ended December 31, 2009 as listed in the table of contents. These financial statements are the responsibility of the McPherson Recreation Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial (and summarized) comparative information has been derived from the McPherson Recreation Commission's December 31, 2008 financial statements and, in our report dated February 11, 2009; we expressed an unqualified opinion on the financial statements taken as a whole.

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 guidance 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 opinion.

As described more fully in Note 1, the Commission has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect 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 Commission as of December 31, 2009, or the changes in its financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the Commission, as of December 31, 2009, and its cash receipts and expenditures or disbursements, and budgetary comparisons for the year then ended, on the basis of accounting described in Note 1.

The accompanying information listed as additional information in the table of contents is presented for purposes of additional information and is not a required part of the financial statements of the McPherson Recreation Commission. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Swindoll, Janzen, Hawk & Loyd, LLC

Certified Public Accountants

April 7, 2010

MCPHERSON RECREATION COMMISSION

SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

For the Year Ended December 31, 2009

| | <u>Beginning Un- encumbered Cash Balance</u> | <u>Cash Receipts</u> | <u>Expend- itures</u> | <u>Ending Un- encumbered Cash Balance</u> | <u>Add Outstanding Encum- brances and Accounts Payable</u> | <u>Ending Cash Balance</u> |
|--|--|--------------------------|---------------------------|---|--|------------------------------------|
| GENERAL OPERATING FUND | \$ 106,493 | \$ 1,346,478 | \$ 1,315,690 | \$ 137,281 | \$ - | \$ 137,281 |
| SPECIAL REVENUE FUND: | | | | | | |
| Employee Benefit and Insurance Fund | \$ 12,358 | \$ - | \$ 12,358 | \$ - | \$ - | \$ - |
| Total Reporting Entity | \$ 118,851 | \$ - | \$ 12,358 | \$ - | \$ - | \$ 137,281 |
| COMPOSITION OF CASH: | | | | | | |
| Cash on Hand | | | | | | \$ 200 |
| Checking Account - Home State Bank & Trust | | | | | | (132,694) |
| Money Market Account - Home State Bank & Trust | | | | | | 168,525 |
| Certificate of Deposit - Peoples Bank & Trust | | | | | | 101,250 |
| Total Reporting Entity | | | | | | \$ 137,281 |

MCPHERSON RECREATION COMMISSION

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET(Budgeted Funds Only)

For the Year Ended December 31, 2009

| | <u>Certified Budget</u> | <u>Adjustment for Qualifying Budget Credits</u> | <u>Total Budget for Comparison</u> | <u>Expenditures Chargeable to Current Year</u> | <u>Variance Favorable (Unfavorable)</u> |
|------------------------|-----------------------------|---|--|--|---|
| GENERAL OPERATING FUND | \$ 1,402,000 | \$ - | \$ 1,402,000 | \$ 1,315,690 | \$ 86,310 |
| Totals | <u>\$ 1,402,000</u> | <u>\$ -</u> | <u>\$ 1,402,000</u> | <u>\$ 1,315,690</u> | <u>\$ 86,310</u> |

MCPHERSON RECREATION COMMISSION

GENERAL OPERATING FUNDSTATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the Year Ended December 31, 2009

(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

| | 2008 Actual | 2009 | | Variance Favorable (Unfavorable) |
|---------------------------------------|-------------------|-------------------|---------------------|--|
| | | Actual | Budget | |
| Cash Receipts: | | | | |
| Ad valorem property tax | \$ 642,090 | \$ 956,014 | \$ 960,826 | \$ (4,812) |
| Back tax collections | 8,471 | 8,711 | 5,500 | 3,211 |
| Motor vehicle tax | 63,755 | 73,511 | 76,000 | (2,489) |
| Recreational vehicle tax | 1,128 | 2,030 | 1,400 | 630 |
| Activity and facility receipts | 60,937 | 60,590 | 67,350 | (6,760) |
| Interest | 9,791 | 9,618 | 8,000 | 1,618 |
| Reimbursements from City of McPherson | 187,464 | 220,446 | 200,000 | 20,446 |
| Water park receipts | 9,642 | 3,000 | 10,500 | (7,500) |
| Miscellaneous | 222 | 200 | 424 | (224) |
| Transfer from Employee Benefits Fund | - | 12,358 | - | - |
| Total Cash Receipts | <u>983,500</u> | <u>1,346,478</u> | <u>\$ 1,330,000</u> | <u>\$ 4,120</u> |
| Expenditures Subject to Budget: | | | | |
| Personal services | 275,689 | 408,369 | \$ 413,199 | \$ 4,830 |
| Contractual services | 174,890 | 179,203 | 202,477 | 23,274 |
| Commodities | 39,198 | 34,369 | 56,350 | 21,981 |
| Capital outlay | 474,791 | 462,240 | 499,874 | 37,634 |
| Miscellaneous | 8,688 | 6,371 | 11,000 | 4,629 |
| Water park | 194,119 | 220,441 | 207,500 | (12,941) |
| Other insurance | 10,958 | 4,697 | 11,600 | 6,903 |
| Total Expenditures Subject to Budget | <u>1,178,333</u> | <u>1,315,690</u> | <u>\$ 1,402,000</u> | <u>\$ 86,310</u> |
| Receipts over (under) Expenditures | (194,833) | 30,788 | | |
| Unencumbered Cash, Beginning of Year | <u>301,326</u> | <u>106,493</u> | | |
| Unencumbered Cash, End of Year | <u>\$ 106,493</u> | <u>\$ 137,281</u> | | |

MCPHERSON RECREATION COMMISSION

SPECIAL REVENUE FUNDEMPLOYEE BENEFIT AND INSURANCE FUNDSTATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the Year Ended December 31, 2009

(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

| | 2008 Actual | 2009 | | Variance Favorable (Unfavorable) |
|---|----------------|---------------|-------------|--|
| | | Actual | Budget | |
| Cash Receipts: | | | | |
| Ad valorem property tax | \$ - | \$ - | \$ - | \$ - |
| Back tax collections | - | - | - | - |
| Motor vehicle tax | - | - | - | - |
| Recreational vehicle tax | - | - | - | - |
| Total Cash Receipts | - | - | \$ - | \$ - |
| Expenditures Subject to Budget: | | | | |
| Social Security | - | - | \$ - | \$ - |
| Worker's compensation insurance | - | - | - | - |
| Unemployment compensation | - | - | - | - |
| Pension and retirement | - | - | - | - |
| Health insurance | - | - | - | - |
| Other insurance | - | - | - | - |
| Transfer to General Fund | - | 12,358 | - | (12,358) |
| Miscellaneous | - | - | - | - |
| Total Expenditures Subject to Budget | - | 12,358 | \$ - | \$ (12,358) |
| Receipts over (under) Expenditures | - | (12,358) | | |
| Unencumbered Cash, Beginning of Year | 12,358 | 12,358 | | |
| Unencumbered Cash, End of Year | \$ 12,358 | \$ (0) | | |

MCPHERSON RECREATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Financial Reporting Entity

The McPherson Recreation Commission (the "Commission") is a municipal corporation governed by an appointed five-member council. These financial statements present the Commission. The Commission has no component units.

(b) Basis of Presentation - Fund Accounting

The accounts of the Commission are organized and operated on the basis of funds. 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 Commission has the following fund type:

Governmental Fund Type

These are the funds through which most governmental functions typically are financed. The funds included in this fund type are as follows:

- General Operating Fund - This fund is established to account for resources devoted to financing the fundamental operations of the Commission. This fund is charged with all costs of operating the Commission for which a separate fund has not been established.
- Special Revenue Fund – This fund is established to account for the proceeds of specific revenue sources other than special assessments, expendable trusts or major capital projects that are legally restricted to expenditures for specified 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 cash 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 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 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 statutory basis of accounting.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(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 expense, 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 fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings and equipment owned by the 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) Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds and enterprise funds. 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 on or before August 5th of the proposed budget and notice of public hearing on the budget.
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 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.

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 municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital projects funds, fiduciary funds, permanent funds, and special revenue funds.

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.

2. DEPOSITS AND INVESTMENTS

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

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

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.

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 \$134,967 and the bank balance was \$290,246. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by federal depository insurance and \$40,246 was collateralized with securities held by the pledging financial institutions' agents in the Commission's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the 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.

3. LONG-TERM DEBT

Changes in long-term liabilities for the Commission for the year ended December 31, 2009, were as follows:

| Issue | Interest Rate | Date of Issue | Amount of issue | Date of Final Maturity | Balance Beginning of Year | Additions | Reductions of Principal | Net Change | Balance end of Year | Interest Paid |
|----------------------|-------------------|---------------|-----------------|------------------------|---------------------------|-----------|-------------------------|--------------|---------------------|---------------|
| Capital Lease: | | | | | | | | | | |
| Capital Projects | 3.50% to 4.80% | 9/15/2001 | \$ 1,065,000 | 12/1/2013 | \$ 415,000 | \$ - | \$ 80,000 | \$ (80,000) | \$ 335,000 | \$ 19,615 |
| Lighting System | 5.85% | 10/1/2007 | 144,500 | 2/28/2012 | 114,951 | - | 26,307 | (26,307) | 88,644 | 6,808 |
| Total Capital Leases | | | | | \$ 529,951 | \$ - | \$ 106,307 | \$ (106,307) | \$ 423,644 | \$ 26,423 |
| Compensated Absences | | | | | 19,727 | 4,021 | - | 4,021 | 23,748 | - |
| Total Long-Term Debt | | | | | \$ 549,678 | \$ 4,021 | \$ 106,307 | \$ (102,286) | \$ 447,392 | \$ 26,423 |

3. LONG-TERM DEBT (CONT.)

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

| | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>Total</u> |
|------------------------------|-------------------|-------------------|-------------------|------------------|-------------------|
| Principal: | | | | | |
| Capital Lease: | | | | | |
| Capital Projects | \$ 85,000 | \$ 90,000 | \$ 90,000 | \$ 70,000 | \$ 335,000 |
| Lighting System | <u>27,865</u> | <u>29,516</u> | <u>31,263</u> | <u>-</u> | <u>88,644</u> |
| TOTAL PRINCIPAL | <u>\$ 112,865</u> | <u>\$ 119,516</u> | <u>\$ 121,263</u> | <u>\$ 70,000</u> | <u>\$ 423,644</u> |
| Interest: | | | | | |
| Capital Lease: | | | | | |
| Capital Projects | 15,993 | 11,955 | 7,680 | 3,360 | 38,988 |
| Lighting System | <u>5,250</u> | <u>3,600</u> | <u>1,852</u> | <u>-</u> | <u>10,702</u> |
| TOTAL INTEREST | <u>\$ 21,243</u> | <u>\$ 15,555</u> | <u>\$ 9,532</u> | <u>\$ 3,360</u> | <u>\$ 49,690</u> |
| Total Principal and Interest | <u>\$ 134,108</u> | <u>\$ 135,071</u> | <u>\$ 130,795</u> | <u>\$ 73,360</u> | <u>\$ 473,334</u> |

4. PENSION COSTS AND EMPLOYEE BENEFITS

(a) Defined Benefit Pension Plan

Plan Description. The 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 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% 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 2009 is 6.54%. (Included in this rate is the contribution for Group Death and Disability Insurance of 1.0%). The Commission's employer contributions to KPERs for the years ending December 31, 2009, 2008, and 2007 were 18,622, \$12,971, and \$9,806, respectively, equal to the required contributions for each year.

(b) Other Employee Benefits

Vacation - Vacation leave shall be accrued from the employee's date of employment as stipulated hereinafter. If not taken, vacation leave shall accrue from year to year up to the maximum provided based upon the employee's years of service. No vacation leave shall be taken until a new employee has completed the probationary period.

4. PENSION COSTS AND EMPLOYEE BENEFITS (CONT.)

Each full-time employee will accumulate vacation leave as follows:

| <u>Years of Service</u> | <u>Per Year</u> | <u>Accumulation</u> |
|-------------------------|-------------------|---------------------|
| 0 to 5 years | 80 working hours | 120 working hours |
| 5 to 15 years | 120 working hours | 180 working hours |
| 15 to 25 years | 160 working hours | 240 working hours |
| After 25 years | 200 working hours | 300 working hours |

An employee shall be paid for all accumulated unused vacation leave upon termination. The accumulated amount as of December 31, 2009 and 2008 was \$26,730 and \$23,748, respectively.

Sick leave - All employees who work not less than one-half time shall be entitled to sick leave with pay for absences resulting from personal illness, injuries, accidents or other physical incapacities, occurring either on or off the job.

Amount of sick leave - Full-time employees shall earn one working day of sick leave for each full month of service. Part-time employees who work not less than 20 hours per week shall receive one-half working day of sick leave per month. Other employees shall not have paid sick leave.

Accumulation of sick leave - Sick leave is cumulative without limit. On termination of employment an employee shall not be paid for accumulated sick leave.

5. CAPITAL LEASES

Recreation Complex

During the year ended December 31, 1996, the McPherson Recreation Commission entered into a long-term lease for the acquisition of an outdoor recreational complex (the "Project"). The Project was financed by the City of McPherson (the "City"), which entered into a Lease Purchase Agreement with Central Bank and Trust Co., Hutchinson, Kansas, as lessor, providing for acquisition and construction of the Project at an estimated cost of \$1,000,000. Funds for acquisition and construction were raised by the lessor by the issuance of Certificates of Participation Series 1996 in the amount of \$1,000,000. As part of this financing structure, the bank, acting as lessor and trustee for the owners of the Certificates of Participation, paid the purchase price for the site for the Project, which was deeded to the City. The City then leased the site to the bank under a Site Lease, and leased it and the improvements to be constructed back from the bank under the Lease Purchase Agreement. The terms of the Site Lease and the Lease Purchase Agreement run simultaneously. Rentals payable under the Lease Purchase Agreement will be adequate to pay the owners of the Certificates of Participation their original investment plus interest. Upon payment of all rental payments under the Lease Purchase Agreement, the City has the right to own the Project free of any claims of the bank.

The City has subleased the Project (which includes the site and the recreation complex improvements) to the Commission under a sublease, which has an initial term of 10 years and an initial renewal term of 5 years. Rentals payable by the Commission under the sublease equal the "basic rental payments" and the "additional rental payments" payable by the City under the Lease Purchase Agreement. When the Certificates of Participation have all been retired, and the Site Lease and Lease Purchase Agreement have terminated, the Commission has the option to extend the term of its sublease from the City for successive extended renewal terms of not to exceed 10 years each until December 18, 2096. The Commission's rentals during the extended terms of its sublease are limited to the payments the City makes as "additional rental payments" during the term of the Lease Purchase Agreement.

On September 15, 2001, Certificates of Participation Series 1996 were refunded. These certificates and the lease-purchase agreement between CitiCapital Commercial Corporation and the Commission for lighting improvements to Wall Park Athletic Fields were refinanced with Certificates of Participation Series 2001, in the amount of \$1,065,000. Also, on September 15, 2001, the City and the Commission entered into Supplemental Sublease No. 1, which amended the basic rental payments to the new maturity amounts.

5. CAPITAL LEASES (CONT.)

Recreation Complex (Cont.)

The City's payments under the Lease Purchase Agreement, which will be paid solely from payments made by the Commission under its sublease, will be an amount equal to the sum of the scheduled "amended basic rental payments" and the unscheduled "additional rental payments." The amended basic rental payments are payable semi-annually on June 1 and December 1 of each year with the initial rental payment due June 1, 2002. The "additional rental payments" are payable within thirty (30) days after notice from the lessor. The "additional rental payments" are all taxes and assessments of any nature levied upon the Site or Facility, all reasonable and necessary fees and expenses incurred by the bank as lessor and trustee, and all costs and expenses which the trustee may incur in consequence of or because of any default by the City on the terms of the lease.

Light Capital Baseball Diamond Lighting System

On October 1, 2007, the McPherson Recreation Commission entered into a long-term lease for the purpose of obtaining an aerial lighting system for Light Capital Baseball Diamond (the "System"). The McPherson Recreation Commission entered into a Municipal Lease and Option Agreement with Musco Finance, LLC, as lessor, providing that MRC leases the equipment from the lessor, subject to the terms and conditions of the agreement in the amount of \$144,500.

The McPherson Recreation Commission's payments under the Municipal Lease and Option Agreement will be an amount equal to the sum of the principal and interest portion of the "Payment Schedule" provided in the lease agreement. These payments are payable annually on February 28 of each year with the initial payment due February 28, 2008. Payments are to be payable without notice or demand from the lessor. If the scheduled payment is not made when due, the lessee shall pay accrued interest on the delinquent amount.

6. CAPITAL PROJECTS

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

| | Project Authorization | Cash Disbursements and Accounts Payable to Date |
|----------------------|--------------------------|---|
| Cleary Shade Project | \$ 165,960 | \$ 165,960 |

7. CLAIMS AND JUDGMENTS

The Commission is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries. The Commission has purchased commercial insurance for these potential risks. There have been no significant reductions in insurance coverage from 2008 to 2009 and there were no settlements that exceeded insurance coverage in the past three years.

During the ordinary course of its operations the Commission is exposed to various claims, legal action and complaints. It is of the opinion of the Commission's management that any current matters are not anticipated to have a material impact on the Commission.

8. RELATED PARTY

The McPherson Recreation Commission purchases fertilizing, weed and pest control services from Turfwood, a business owned by a McPherson Recreation Commission Maintenance employee. Total payments to this vendor during the year ended December 31, 2009 was \$285. Overseeding and aerating services were also purchased from a self-employed McPherson Recreation Commission Maintenance employee. Total payments to this vendor during the year ended December 31, 2009 was \$9,000.

9. INTERFUND TRANSFERS

There was one transfer to close out a fund:

| <u>From</u> | <u>To</u> | <u>Statutory Authority</u> | <u>Amount</u> |
|-------------------|-----------|--------------------------------|------------------|
| Employee Benefits | General | Close Funds | <u>\$ 12,358</u> |

MCPHERSON RECREATION COMMISSION
ADDITIONAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2009

MCPHERSON RECREATION COMMISSION

SCHEDULE OF EMPLOYEE INSURANCE (UNAUDITED)

December 31, 2009

| <u>Officer or Employee</u> | <u>Surety</u> | <u>Expiration Date</u> | <u>Amount</u> |
|----------------------------|---|------------------------|---------------|
| Employee Dishonesty Bond | Farmers Alliance Mutual Insurance Company | 1/23/2010 | \$10,000 |

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

See Independent Auditor's Report.