

ARKANSAS CITY RECREATION COMMISSION

ACCOUNTANT'S AUDIT REPORT

For the Twelve Months Ended
June 30, 2012

Prepared by

Kent R. Bassford
Certified Public Accountant

Kent R. Bassford CPA, Inc.

Independent Auditor's Report

January 8, 2013

Members of the Arkansas City Recreation Commission
Arkansas City, Kansas 67005

We have audited the accompanying financial statements of the Arkansas City Recreation Commission for the year ended June 30, 2012. These financial statements are the responsibility of the Arkansas City Recreation Commission's management. Our responsibility is to express an opinion 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 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's presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Arkansas City Recreation 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 Arkansas City Recreation Commission as of June 30, 2012, or the changes in its financial position for the year ended.

In our opinion, the financial statements referred to above present fairly in all material respects, the cash and unencumbered cash balances of the Arkansas City Recreation Commission as of June 30, 2012, and its cash receipts and expenditures and budgetary comparisons for the year then ended, on the basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Arkansas City Recreation Commission financial statements. The accompanying amounts shown for 2011 in the financial statements for comparative purposes are not a required part of the financial statements of the Arkansas City Recreation Commission. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and in our opinion, is fairly stated, in all material aspects, in relation to the financial statements taken as a whole, on the basis of accounting described in Note 1.

Kent R. Bassford, C.P.A.

January 8, 2012

ARKANSAS CITY RECREATION COMMISSION
 STATEMENT OF CASH RECEIPTS, EXPENDITURES
 AND UNENCUMBERED CASH
 For The Year Ended June 30, 2012

Funds	Beginning Unencum- bered Cash Balance	Prior Year Cancelled Encum- brances	Cash Receipts	Expenditures
Governmental type Funds:				
General	\$ 340,323	\$ -	\$ 873,929	\$ 877,936
Employee Benefit	67,462	-	173,210	145,071
Total	<u>\$ 407,785</u>	<u>\$ -</u>	<u>\$ 1,047,139</u>	<u>\$ 1,023,007</u>

Composition of Cash:
 Money Market Account
 Checking Account
 Certificate of Deposit
 Petty Cash

Total reporting entity

ARKANSAS CITY RECREATION COMMISSION Statement 1
 STATEMENT OF CASH RECEIPTS, EXPENDITURES
 AND UNENCUMBERED CASH
 For The Year Ended June 30, 2012

Equity Fund Transfers	Ending Unencum- bered Cash Balance	Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
\$ -	\$ 336,316	\$ 43,363	\$ 379,679
-	95,601	1,247	96,848
<hr/>			
\$ -	\$ 431,917	\$ 44,610	\$ 476,527
<hr/> <hr/>			

\$ 416,958
4,419
55,000
<hr/> 150
<hr/> <hr/> \$ 476,527

ARKANSAS CITY RECREATION COMMISSION
 STATEMENT OF EXPENDITURES-ACTUAL AND BUDGET
 (BUDGETED FUNDS ONLY)
 For The Year Ended June 30, 2012

Statement 2

Funds	Certified Budget	Adjustments for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Favorable (Unfavorable)
Governmental type Funds:					
General	\$ 957,375	\$ -	\$ 957,375	\$ 877,936	\$ 79,439
Employee Benefit	173,210	-	173,210	145,071	28,139
Total	\$ 1,130,585	\$ -	\$ 1,130,585	\$ 1,023,007	\$ 107,578

GENERAL FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL & BUDGET

For The Year Ended June 30, 2012

(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes	\$ 478,150	\$ 457,286	\$ 485,000	\$ (27,714)
Grants program	71	49,875	3,000	46,875
Interest	2,472	1,997	4,500	(2,503)
Insurance income	7,681	-	7,500	(7,500)
Reimbursed income	21,603	25,312	30,000	(4,688)
Registration fees - tournaments	15,927	24,006	31,000	(6,994)
Concessions	26,996	35,965	30,500	5,465
Rent	7,692	5,584	8,000	(2,416)
Memberships	75,837	78,245	91,000	(12,755)
Miscellaneous	860	3,317	1,200	2,117
Aquatics	177,482	190,947	189,975	972
Sales - Merchandise	1,374	1,395	700	695
Golf Course	-	-	75,000	(75,000)
Total cash receipts	<u>\$ 816,145</u>	<u>\$ 873,929</u>	<u>\$ 957,375</u>	<u>\$ (83,446)</u>
Expenditures				
Personal services	\$ 483,519	\$ 521,169	\$ 563,000	\$ 41,831
Contractual services	135,244	155,486	148,375	(7,111)
General services	43,709	55,189	40,000	(15,189)
Capital outlay	7,600	13,956	10,500	(3,456)
Carryover funds	-	-	25,000	25,000
Facility & equipment maintenance	12,329	15,630	14,500	(1,130)
Associations	11,750	5,800	8,750	2,950
Recreation programs	68,142	73,830	68,300	(5,530)
Aquatics	39,695	36,876	39,950	3,074
Golf Course	-	-	39,000	39,000
Reconciliation discrepancies	-	-	-	-
Total expenditures	<u>\$ 801,988</u>	<u>\$ 877,936</u>	<u>\$ 957,375</u>	<u>\$ 79,439</u>
Receipts over (under) expenditures	\$ 14,157	\$ (4,007)		
Unencumbered cash, beginning	326,166	340,323		
Prior year canceled encumbrances	-	-		
Unencumbered cash, ending	<u>\$ 340,323.00</u>	<u>\$ 336,316.00</u>		

ARKANSAS CITY RECREATION COMMISSION Statement 3, Page 2
 EMPLOYEE BENEFIT FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL & BUDGET
 For The Year Ended June 30, 2012

(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes	\$ 168,567	\$ 173,210	\$ 173,210	\$ -
Total cash receipts	\$ 168,567	\$ 173,210	\$ 173,210	\$ -
Expenditures				
KPERs	\$ 17,834	\$ 21,129	\$ 22,277	1,148
Health insurance	83,763	78,930	99,000	20,070
Liability insurance	1,691	1,740	1,800	60
Social security/Medicare	35,982	38,428	43,070	4,642
Workman's compensation	4,641	4,382	6,500	2,118
Unemployment	2,871	462	563	101
Portion allocated to General	-	-	-	-
Total Expenditures	\$ 146,782	\$ 145,071	\$ 173,210	\$ 28,139
Receipts over (under) expenditures	\$ 21,785	\$ 28,139		
Unencumbered cash, beginning	45,677	67,462		
Prior year canceled encumbrances	-	-		
Unencumbered cash, ending	\$ 67,462	\$ 95,601		

ARKANSAS CITY RECREATION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

1. Summary of Significant Account Policies

Reporting entity

Arkansas City Recreation Commission is a municipal corporation governed by a five-member board. Two board members are appointed by USD No. 470, two are appointed by the City of Arkansas City and one is appointed by the other members. USD No. 470 is the tax levying authority for the Commission.

Basis of Presentation

These statutory basis financial statements are presented in compliance with the cash-basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Cash disbursements are recognized when the cash balance of a fund is decreased. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

The Arkansas City Recreation Commission has approved a resolution waiving the requirement from generally accepted accounting principles which allows the use of the statutory basis of accounting.

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, cash disbursements, 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 the fund balances 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 long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes and compensated absences are not presented in the financial statements.

ARKANSAS CITY RECREATION COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2012

General Fixed Assets

General fixed assets are recorded as expenditures in the funds at the time of purchase. Such assets have not been capitalized in the general fixed asset group of accounts as required by generally accepted accounting principles.

No depreciation has been provided on general fixed assets.

Deposits

Cash balances pooled from all funds are considered in determining the amount and type of investment. All investments were in compliance with K.S.A. 12-1675. Deposits include checking accounts and interest bearing accounts.

	FDIC Insured	Depository Securities	Bank Balance	Carrying Amount	Funds At Risk
RCB Bank	\$250,000	\$829,646	\$476,377	\$514,580	\$0

The depository securities are collateral held under joint custody receipts issued by a third party bank and held under the name of the Arkansas City Recreation Commission. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. Any concentration of credit risk is secured by depository securities.

Budgetary Information

Kansas statutes require that an annual operation budget be legally adopted for the general and employee benefit funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operation budget:

- A. Preparation of the budget for the succeeding calendar year on or before August 1st.
- B. Publication in local newspaper on or before August 15th of the proposed budget and notice of public hearing on the budget.
- C. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
- D. Adoption of the final budget on or before August 25th

ARKANSAS CITY RECREATION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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 budget amendments made during the 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 modified accrual basis of accounting modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitments, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

USD No. 470 budgets and collects tax money for the Recreation Commission under K.S.A. 12-1927. The money received by the District is apportioned to the Commission shortly after its receipt.

2. Compliance with Kansas Statutes

Management is not aware of any statutory violations.

3. Leases

The Arkansas City Recreation Commission has a rent/lease agreement with the City of Arkansas City that currently expires February 15, 2015, with the option to extend the lease for an additional term of ten years.

ARKANSAS CITY RECREATION COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2012

<u>Description</u>	<u>2011-2012 Payments</u>
City property which includes: Recreation Center, Recreation Center Addition, Dow Recreation Complex, and Ark City Sports Complex	\$60,000

The following is a schedule of future minimum lease payments:

<u>Year Ending June 30,</u>	<u>Lease Payments</u>
2012	60,000.00
2013	60,000.00
2014	60,000.00
2015	<u>60,000.00</u>
	\$240,000.00

4. Defined Benefit Pension Plan

Plan description. The Recreation Commission participates in the Kansas Public Employees Retirement System (KPERs), a cost sharing multiple employer defined benefit pension plan 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 provision. 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, 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 provision 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 the year ended June 30, 2011 is 7.14%. The employer rate established for the year ended June 20, 2009 is 5.54% from July 1st through November 30th, 6.54% from December 1st through March 31st, 2010 and 5.54% from April 1st through June 30th, 2010.

ARKANSAS CITY RECREATION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

The Arkansas City Recreation Commissions employer contributions to KPERS for the years ending June 30, 2012, 2011 and 2010 were \$21,129, \$17,834, and \$15,249, respectively, equal to the required contributions for each year.

5. Compensated Absences

Sick Leave

Each full time employee receives twelve (12) paid sick days per year accumulative to one hundred twenty (120) days. Compensation for unused paid sick leave at the time of retirement shall be made on a pro rata basis based on the number of years of service, up to maximum of sixty (60) days. Separation, other than retirement, whether voluntary or involuntary, will not be entitled to payment for unused sick days.

Vacation Leave

Vacation time may be carried over from one year to the next (no more than two years total accrual at any time). Any accumulation in excess of two years vacation must be used within thirty days or it will be forfeited. Employees leaving employment due to retirement, disability, lay-off or death may be paid for any unused vacation prorated through last full calendar month of service. Employees discharged for cause or separating for any other reason other than those listed above shall receive no pro rata vacation pay.

The amount of liability for compensated absences has not been recognized.

6. Other Post Employment Benefits

As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government 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.

ARKANSAS CITY RECREATION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

7. Skate Equipment

On May 21, 2009, the Board approved financing of skate equipment in the amount of \$64,900. The financing arrangement is for the City of Arkansas City to finance the purchase of the equipment. As disclosed in Note 3, the lease agreement between the City and the Recreation Commission has been extended for sixteen months at a monthly rental of \$5,000 per month. The Recreation Commission anticipates receiving annual payments of \$6,490 for a ten year period from the Arkansas City Skate Association beginning December 31, 2009 as part of the financing of the equipment.