

**CANEY VALLEY RECREATION
COMMISSION**

AUDIT REPORT

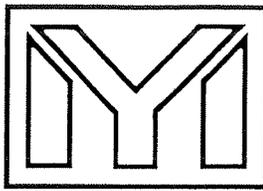
June 30, 2012

CANEY VALLEY RECREATION COMMISSION
CANEY, KANSAS

For the Fiscal Year Ended June 30, 2012

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YERKES & MICHELS, CPA, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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Kansas Society of Certified Public Accountants
An Independent C.P.A. Firm

INDEPENDENT AUDITOR'S REPORT

Caney Valley Recreation Commission
Caney, Kansas

We have audited the accompanying statutory basis financial statements of the individual funds of the Caney Valley Recreation Commission, Caney, Kansas, as of and for the year ended June 30, 2012, as listed in the table of contents. These statutory basis financial statements are the responsibility of the Caney Valley Recreation Commission's management. Our responsibility is to express an opinion on these statutory basis financial statements based on our audit.

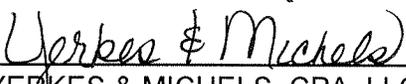
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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 in Note A-3, the Commission prepared these statutory basis financial statements using 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 effects on the financial statements of the differences between the regulatory basis of accounting 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 statutory basis financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the individual funds of Caney Valley Recreation Commission, Caney, Kansas, as of June 30, 2012 or the changes in its financial position,

or, where applicable, its cash flows for the year then ended. Further, Caney Valley 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 part of the basic financial statements.

Also, in our opinion, the statutory basis financial statements referred to in the first paragraph present fairly, in all material respects, the cash and unencumbered cash balances of each of the individual funds of Caney Valley Recreation Commission, Caney, Kansas, as of June 30, 2012, and their respective cash receipts, expenditures, and budgetary results for such funds for the year then ended, on the basis of accounting described in Note A-3.


YERKES & MICHELS, CPA, LLC

February 7, 2013

CANEY VALLEY RECREATION COMMISSION
CANEY, KANSAS

SUMMARY OF CASH RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH

For the Fiscal Year Ended June 30, 2012

<u>Fund</u>	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General Fund	\$ 164,164.26	-	\$ 204,800.93	\$ 179,421.56	\$ 189,543.63	\$ 977.90	\$ 190,521.53
Special Revenue Fund							
Employee Benefit Fund	3,597.83	-	7,165.00	5,484.16	5,278.67	614.58	5,893.25
	\$ 167,762.09	-	\$ 211,965.93	\$ 184,905.72	\$ 194,822.30	\$ 1,592.48	\$ 196,414.78

Composition of Cash

Bank of America, Caney, KS	
Money Market #518002352484	\$ 10,190.91
Money Market #005180431617	100.00
Certificate of Deposit #9100011708404	15,670.05
	25,960.96
Arvest Bank, Caney, KS	
Checking Account - Operating # 3824	\$ 169,453.82
Checking Account - Petty Cash # 306940	1,000.00
	170,453.82
Total	\$ 196,414.78

CANNEY VALLEY RECREATION COMMISSION
CANNEY, KANSAS

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET

For the Fiscal Year Ended June 30, 2012

<u>Fund</u>	<u>Certified Budget</u>	<u>Adjustments to Comply with Legal Max</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year Budget</u>	<u>Variance- Under (Over)</u>
General Fund	\$ 359,200.00	\$ -	\$ 359,200.00	\$ 179,421.56	\$ 179,778.44
Special Revenue Fund Employee Benefit Fund	8,200.00	-	8,200.00	5,484.16	2,715.84

CANEY VALLEY RECREATION COMMISSION
CANEY, KANSAS

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the Year Ended June 30, 2012

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

GENERAL FUND

	Prior Year <u>Actual</u>	<u>CURRENT YEAR</u>		Variance Over (Under)
		<u>Actual</u>	<u>Budget</u>	
CASH RECEIPTS				
County Taxes (USD 436)	\$ 105,380.00	\$ 106,665.00	\$ 106,665.00	\$ -
Programming Fees	14,305.00	14,887.00	18,750.00	(3,863.00)
Community Center	-	-	31,500.00	(31,500.00)
Donations	46,902.70	82,965.89	195,000.00	(112,034.11)
Interest	1,058.38	233.04	4,000.00	(3,766.96)
Miscellaneous	-	50.00	500.00	(450.00)
TOTAL CASH RECEIPTS	\$ 167,646.08	\$ 204,800.93	\$ 356,415.00	\$ (151,614.07)
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET				
Administrative	\$ 39,070.80	\$ 35,837.28	\$ 55,600.00	\$ (19,762.72)
Programming	31,790.08	28,861.02	22,600.00	6,261.02
Community Center	20,303.24	84,832.49	211,000.00	(126,167.51)
Operations	17,177.75	15,778.86	17,500.00	(1,721.14)
Insurance	4,343.00	4,672.00	6,000.00	(1,328.00)
Professional Fees	3,669.35	9,039.52	8,500.00	539.52
Capital Outlay	32,716.40	-	33,000.00	(33,000.00)
Miscellaneous	818.29	400.39	5,000.00	(4,599.61)
TOTAL EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET	\$ 149,888.91	\$ 179,421.56	\$ 359,200.00	\$ (179,778.44)
RECEIPTS OVER (UNDER) EXPENDITURES	\$ 17,757.17	\$ 25,379.37		
UNENCUMBERD CASH, BEGINNING	146,407.09	164,164.26		
UNENCUMBERED CASH, ENDING	\$ 164,164.26	\$ 189,543.63		

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

CANEY VALLEY RECREATION COMMISSION
CANEY, KANSAS

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the Year Ended June 30, 2012

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

EMPLOYEE BENEFIT FUND

	Prior Year <u>Actual</u>	CURRENT YEAR		Variance Over Under
		<u>Actual</u>	<u>Budget</u>	
CASH RECEIPTS				
County Taxes (USD 436)	\$ 6,572.00	\$ 7,165.00	\$ 7,000.00	\$ 165.00
TOTAL CASH RECEIPTS	\$ 6,572.00	\$ 7,165.00	\$ 7,000.00	\$ 165.00
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET				
Payroll Taxes	\$ 4,076.81	\$ 3,456.16	\$ 5,500.00	\$ (2,043.84)
Health Insurance	2,028.00	2,028.00	2,200.00	(172.00)
Workmen's Compensation and Liability Insurance	135.00	-	500.00	(500.00)
TOTAL EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET	\$ 6,239.81	\$ 5,484.16	\$ 8,200.00	\$ (2,715.84)
RECEIPTS OVER (UNDER) EXPENDITURES	\$ 332.19	\$ 1,680.84		
UNENCUMBERD CASH, BEGINNING	3,265.64	3,597.83		
UNENCUMBERED CASH, ENDING	\$ 3,597.83	\$ 5,278.67		

CANEY VALLEY RECREATION COMMISSION
CANEY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

The Caney Valley Recreation Commission is a municipal corporation governed by an appointed five-member board. The statutory basis financial statements include the transactions of the primary government only.

The Caney Valley Recreation Commission's Summary of Cash Receipts, Expenditures, and Unencumbered Cash include the accounts of all Caney Valley Recreation Commission operations. The Commission's major operations include providing recreation services. The scope of the entity for financial reporting purposes is defined as the funds for which the Commission has oversight responsibility and is primarily accountable. Oversight responsibility includes budgetary authority and fiscal management responsibility. Budgetary authority is defined as authority for final approval of budgetary appropriations and revisions. Fiscal management responsibility is control of the collection and disbursement of funds.

2. Basis of Presentation - Fund Accounting

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 following types of funds comprise the financial activities of the Caney Valley Recreation Commission, Caney, Kansas, for the year ended June 30, 2012.

Government Funds:

General Fund--to account for all unrestricted resources except those required to be accounted for in another fund.

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 expenditure for specific purposes.

CANEY VALLEY RECREATION COMMISSION
CANEY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Basis of Accounting

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 passed a Resolution to waive the annual requirement of generally accepted accounting principles and fixed asset accounting for the year ended June 30, 2012, in conformity with K.S.A. 75-1120a (c) (1), and allowing the commission to use the statutory basis of accounting.

4. Departure from Generally Accepted Accounting Principles

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash 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 the 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 municipality 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.

CANEY VALLEY RECREATION COMMISSION
CANEY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. 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 of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in 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. The budget was not amended during the year ended June 30, 2012.

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, 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. All unused budgeted expenditure authority lapses at year-end.

CANEY VALLEY RECREATION COMMISSION
CANEY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

1. Budgetary Information

Spending in funds which are not subject to the legal annual operating budget requirement are controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

2. Compliance with Kansas Statutes and Other Finance Related Legal Matters

Management is not aware of any violations of compliance with Kansas Statutes or violations of other finance related legal matters.

NOTE C - 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 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, except during designate "peak periods" when required coverage is 50%. All deposits were legally secured at June 30, 2012.

CANEY VALLEY RECREATION COMMISSION
CANEY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

At year-end the carrying amount of the Commission's deposits was \$196,414.78. The bank balance was \$173,762.57. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. The bank balance was held by two banks, resulting in a concentration of credit risk. Of the bank balance \$196,414.78 was covered by FDIC insurance.

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.

At June 30, 2012, the Commission had no investments.

NOTE D - COMPENSATED ABSENCES - EMPLOYEE VACATION AND SICK PAY

The Commission has not adopted a formal vacation and sick leave policy.

NOTE E- RISK MANAGEMENT

The Caney Valley Recreation Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Commission carries commercial insurance. Settlements of claims have not exceeded coverage during the past three fiscal years.

NOTE F – USE OF ESTIMATES

The preparation of statutory basis financial statements required management to make estimates and assumptions that affect the reported amounts of expenditures during the audit period, encumbrances outstanding and disclosure of contingencies at the end of the audit period. Actual results could differ from the estimates.

NOTE G – CONTINGENT LIABILITIES

Management of the Commission and its Legal Counsel are not aware of any litigation involving the Commission at this time.

CANEY VALLEY RECREATION COMMISSION
CANEY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

NOTE H – OTHER POST EMPLOYMENT BENEFITS

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Commission makes health care benefits available to 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 was no cost to the Commission under this program.