

RECREATION COMMISSION
UNIFIED SCHOOL DISTRICT NO. 413

Chanute, Kansas

Financial Statements
and
Supplemental Information

with Report of Independent Auditors

For the Year Ended June 30, 2012

Recreation Commission
Unified School District No. 413
Chanute, Kansas
Special Financial Statements
For the Fiscal Year Ended June 30, 2012

<u>Item</u>	<u>Page Number</u>
INTRODUCTORY SECTION	
Title Page	
Table of Contents	
FINANCIAL SECTION	
Independent Auditor's Report	1-3
Summary of Cash Receipts, Expenditures, and Unencumbered Cash	4
Notes to Financial Statements	5-9
ADDITIONAL INFORMATION	
Schedule 1	
Summary of Expenditures - Actual and Budget	10
Schedule 2	
Summary of Receipts and Expenditures - Individually Presented by Fund	
General Fund	11
Employee Benefits and Special Liability Fund	12
Schedule 3	
Summary of Cash Receipts and Disbursements – Agency Funds	13

INDEPENDENT AUDITORS' REPORT

Recreation Commission
Unified School District No. 413
Chanute, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Unified School District No. 413 Recreation Commission, Chanute, Kansas, as of and for the year ended June 30, 2012, and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 1 to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement 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 and Accounting Guide. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the Notes to Financial Statement, the financial statement is prepared by Unified School District No. 413 Recreation Commission, Chanute, Kansas, to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Unified School District No. 413 Recreation Commission, Chanute, Kansas, as of June 30, 2012, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of Unified School District No. 413 Recreation Commission, Chanute, Kansas, as of June 30, 2012, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedules 1, and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

Prior Year Comparative Analysis

The 2011 Actual columns presented in the individual fund schedules of cash receipts and expenditures actual and budget (Schedule 2 as listed in the table of contents) is also presented for comparative analysis and is not a required part of the 2011 financial statement upon which we rendered an unqualified opinion dated June 22, 2012. The 2011 financial statements and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration, Office of Management Analysis and Standards. Such 2011 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2011 financial statement. The 2011 comparative information was subjected to the auditing procedures applied in the audit of the 2011 financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2011 financial statement or to the 2011 financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2011 comparative information is fairly stated in all material respects in relation to the 2011 financial statement as a whole.

Restricted Use

This report is intended solely for the information and use of the governing body and management of Unified School District No. 413 Recreation Commission, and for filing with the Kansas Department of Education, the Kansas Department of Administration, Division of Accounts and Reports, the cognizant federal agency, and other federal audit agencies. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Respectfully Submitted,

Schlotterbeck and Burns, LLC

July 8, 2013

Recreation Commission
 Unified School District No. 413
 Chanute, Kansas
 Summary of Receipts, Expenditures and Unencumbered Cash
For the Year Ended June 30, 2012

Fund	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Plus: Accounts Payable and Encumbrances	Ending Cash Balance
General Fund	\$ 476,733	280,495	419,754	337,474	32,265	369,739
Special Revenue Funds: Employee Benefits and Special Liability Fund	38,817	26,984	49,858	15,943		15,943
Total	<u>515,550</u>	<u>307,479</u>	<u>469,612</u>	<u>353,417</u>	<u>32,265</u>	<u>385,682</u>

Composition of Ending Cash Balance:

Demand Deposits	\$ 92,708
Certificates of Deposit	295,042
Less: Agency Funds per Schedule 3	<u>(2,068)</u>
Total Composition of Cash	<u>385,682</u>

Recreation Commission
Unified School District No. 413
Chanute, Kansas
Notes to Financial Statements
For the Year Ended June 30, 2012

Note 1 **Summary of Significant Accounting Policies**

A. Reporting Entity

The Unified School District No. 413 Recreation Commission is a municipal corporation governed by an appointed five-member board. These financial statements present Unified School District No. 413 Recreation Commission as a primary government unit, with no component units.

B. Basis of Presentation

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 Regulatory Basis Fund Types comprise the financial activities of the Recreation Commission for the year ending June 30, 2012:

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

Special Purpose Funds -- used to account for the proceeds of specific tax levies and other revenue sources that are intended for specific purposes.

Agency Funds -- funds used to report assets held by the municipal reporting entity in a purely custodial capacity.

C. Basis of Accounting

*Regulatory Basis of Accounting and Departure from Accounting Principles
Generally Accepted in the United States of America*

The Kansas Municipal Audit and Accounting Guide regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The Kansas Municipal Audit and Accounting Guide regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

Recreation Commission
Unified School District No. 413
Chanute, Kansas
Notes to Financial Statements
For the Year Ended June 30, 2012

The Recreation Commission has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Recreation Commission to use the regulatory basis of accounting.

D. Budget and Tax Cycle:

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 July 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before July 10th.
3. Public hearing on or before July 20th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget and certification to the Unified School District on or before August 1st, but at least 10 days after public hearing.

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 commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

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

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.

Recreation Commission
Unified School District No. 413
Chanute, Kansas
Notes to Financial Statements
For the Year Ended June 30, 2012

E. Assets, Liabilities, and Fund Equity

Cash

To facilitate better management of the Recreation Commission's cash resources, excess cash is combined in pooled operating accounts. Each fund's portion of total cash is based on its equity in the pooled cash amount. Cash in excess of current operating needs is invested on a pooled investment basis and earnings thereon are credited to the General Fund as provided by Kansas Statutes.

F. Revenues and Expenditures

Property taxes become a lien against all property November 1st. Taxpayers have the option of paying in full or in two installments. The delinquency dates are December 20th and May 10th. Delinquent taxes are assessed interest at rates established by State Statute. This interest is retained by the County Treasurer.

Taxes levied to finance the budget are made available to the Recreation Commission after January 1st and are distributed by the County Treasurer approximately every month and a half. At least 50% of the taxes levied are available in January.

Note 2 Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the Recreation Commission. The statute requires banks eligible to hold the Recreation Commission's funds have a main or branch bank in the county in which the Recreation Commission is located 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.

K.S.A. 12-1675 allows the Recreation Commission to deposit idle funds in time deposits-open accounts, and certificates of deposit with allowable financial institutions; and to invest idle funds in U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Recreation Commission held no investments at June 30, 2012 and held no investments throughout the year.

Concentration of credit risk. State statutes place no limit on the amount the Recreation Commission may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Recreation Commission
Unified School District No. 413
Chanute, Kansas
Notes to Financial Statements
For the Year Ended June 30, 2012

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Recreation Commission's deposits may not be returned to it. State statutes require the Recreation Commission's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Recreation Commission has not designated any peak periods.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Recreation 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 carrying amount of the Recreation Commission's deposits was \$387,750 and the bank balance was \$407,375. Under recent changes in federal law, the entire balance was covered by federal depository insurance.

Note 3 **Other Long-Term Obligations from Operations**

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 as provided by Kansas law. 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 and K.S.A. 74-4921 establish the KPERS member-employee contribution rates. Effective July 1, 2009, KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate of 4% of covered salary for Tier 1 members and 6% of covered salary for Tier 2 members. Member employees' contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

Recreation Commission
Unified School District No. 413
Chanute, Kansas
Notes to Financial Statements
For the Year Ended June 30, 2012

Note 4 **Stewardship, Compliance, and Accountability**

Compliance with Kansas Cash Basis Law

No violations.

Compliance with Kansas Budget Law

No violations.

Compliance with Kansas Depository Security Law

No violations.

Recreation Commission
 Unified School District No. 413
 Chanute, Kansas
 Summary of Expenditures - Actual and Budget
For the Year Ended June 30, 2012

Schedule 1

Fund	<u>Certified Budget</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Favorable (Unfavorable)</u>
General Fund	\$ 774,019	419,754	354,265
Special Revenue Funds:			
Employee Benefits and Special Liability Fund	<u>75,952</u>	<u>49,858</u>	<u>26,094</u>
Total	<u><u>849,971</u></u>	<u><u>469,612</u></u>	<u><u>380,359</u></u>

Recreation Commission
 Unified School District No. 413
 Chanute, Kansas

Schedule 2
 (Page 1 of 2)

Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 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	
<u>General Fund</u>				
Cash Receipts:				
Appropriation from U.S.D. No. 413	\$ 200,000	213,153	227,655	(14,502)
Program Fees	65,910	64,028	71,630	(7,602)
Interest on Idle Funds	6,224	3,314	4,650	(1,336)
Total Cash Receipts	<u>272,134</u>	<u>280,495</u>	<u>303,935</u>	<u>(23,440)</u>
Expenditures and Transfers:				
Personal Services	188,657	224,382	202,285	(22,097)
Contractual Services	42,082	48,247	46,630	(1,617)
Commodities	22,420	42,046	23,125	(18,921)
Current Charges	28,570	28,191	25,895	(2,296)
Properties	172,285	5,940	67,550	61,610
Contingencies	475	1,560	1,000	(560)
Capital Outlay	9,900	69,388	407,534	338,146
Total Expenditures and Transfers	<u>464,389</u>	<u>419,754</u>	<u>774,019</u>	<u>354,265</u>
Receipts Over (Under) Expenditures	(192,255)	(139,259)		
Unencumbered Cash, Beginning	<u>668,988</u>	<u>476,733</u>		
Unencumbered Cash, Ending	<u><u>476,733</u></u>	<u><u>337,474</u></u>		

Recreation Commission
 Unified School District No. 413
 Chanute, Kansas

Schedule 2
 (Page 2 of 2)

Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 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	
<u>Employee Benefits and Special Liability Fund</u>				
Cash Receipts:				
Appropriation from U.S.D. No. 413	\$ 58,050	26,984	42,775	(15,791)
Total Cash Receipts	<u>58,050</u>	<u>26,984</u>	<u>42,775</u>	<u>(15,791)</u>
Expenditures and Transfers:				
Social Security/Medicare	14,510	16,865	15,470	(1,395)
KPERS	10,725	13,082	10,135	(2,947)
Workers Compensation	2,119	2,794	2,625	(169)
Unemployment Insurance	190	176	205	29
Health Insurance	15,213	13,080	43,417	30,337
Liability Insurance	3,643	3,861	4,100	239
Total Expenditures and Transfers	<u>46,400</u>	<u>49,858</u>	<u>75,952</u>	<u>26,094</u>
Receipts Over (Under) Expenditures	11,650	(22,874)		
Unencumbered Cash, Beginning	<u>27,167</u>	<u>38,817</u>		
Unencumbered Cash, Ending	<u>38,817</u>	<u>15,943</u>		

Recreation Commission
 Unified School District No. 413
 Chanute, Kansas
 Agency Fund
 Statement of Cash Receipts and Disbursements
June 30, 2012

Schedule 3

<u>Account</u>	<u>Beginning Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Balance</u>
Babe Ruth	\$ -	960	791	169
Ball Diamond Fees	-	50		50
CHS Volleyball Clinic	-	1,495	1,465	30
Pass Through Account	63			63
Triathlon	-	1,756		1,756
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	63	4,261	2,256	2,068
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>