

ELKHART RECREATION COMMISSION
Elkhart, Kansas

AUDIT REPORT
For the fiscal year ended June 30, 2012

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Elkhart, Kansas

AUDIT REPORT
For the fiscal year ended June 30, 2012

C O N T E N T S

	<u>Page Number</u>
Independent Auditor's Report	1
FINANCIAL STATEMENTS	
<u>Statement 1</u> Statement of Cash Receipts, Expenditures and Unencumbered Cash	3
Notes to the Financial Statements	5
SUPPLEMENTAL SCHEDULES	
<u>Schedule 1</u> Summary of Expenditures – Actual and Budget	11
<u>Schedule 2</u> Schedule of Cash Receipts and Expenditures – Actual and Budget – General Fund	12

INDEPENDENT AUDITOR'S REPORT

Elkhart Recreation Commission
Elkhart, Kansas 67950

We have audited the summary statement of cash receipts, expenditures, and unencumbered cash balances of the Elkhart Recreation Commission, Elkhart, Kansas, a component unit of Unified School District No. 218, Elkhart, Kansas, as of and for the year ended June 30, 2012. This financial statement is the responsibility of the Commission's management. 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 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 Elkhart Recreation Commission has prepared this financial statement 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 statement of the variances between these statutory 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 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 the Elkhart Recreation Commission as of June 30, 2012, or the respective changes in financial position and changes in cash flows, where applicable, for the year then ended.

Elkhart Recreation Commission
Elkhart, Kansas 67950

Page 2

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Elkhart Recreation Commission as of June 30, 2012, and the aggregate cash receipts and expenditures 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 statement. The summary of expenditures-actual and budget and individual fund schedule of cash 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 statutory financial statements. 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 financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the 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 financial statement as a whole.

Hay•Rice & Associates, Chartered

September 5, 2012

ELKHART RECREATION COMMISSION
Elkhart, Kansas

Statement 1

STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH
For the year ended June 30, 2012

<u>Funds</u>	<u>Beginning</u> <u>Unencumbered</u> <u>Cash</u> <u>Balance</u>	<u>Cash</u> <u>Receipts</u>	<u>Expenditures</u>	<u>Ending</u> <u>Unencumbered</u> <u>Cash</u> <u>Balance</u>	<u>Add</u> <u>Outstanding</u> <u>Encumbrances</u> <u>& Accounts</u> <u>Payable</u>	<u>Ending</u> <u>Cash</u> <u>Balance</u>
Governmental Type Fund: General Fund	<u>\$109,949</u>	<u>\$233,961</u>	<u>\$231,461</u>	<u>\$112,449</u>	<u>\$ 4,734</u>	<u>\$117,183</u>

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

ELKHART RECREATION COMMISSION
Elkhart, Kansas

Statement 1
(Continued)

STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH
For the year ended June 30, 2012

Ending Cash Balance		<u>\$117,183</u>
Composition of Cash:		
Cash in First National Bank, Elkhart Kansas:		
Checking account	\$20,864	
Money Market account	96,068	
Dugout Savings account	106	
Petty cash account	<u>145</u>	
Total Reporting Entity		<u>\$117,183</u>

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

ELKHART RECREATION COMMISSION
Elkhart, Kansas

NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2012 and 2011

Note 1: Summary of Significant Accounting Policies

Reporting Entity

The Elkhart Recreation Commission oversees recreational activities. The Elkhart Recreation Commission operates as a separate governing body, but the USD levies the taxes for the Elkhart Recreation Commission and the Elkhart Recreation Commission has only the powers granted by statute K.S.A. 12-1928. The Elkhart Recreation Commission is a jointly governed organization of Unified School District No. 218. The governing body of the Elkhart Recreation Commission is appointed by Unified School District No. 218 and the City of Elkhart. Two members are appointed from the school district, two members from the city, and those four members appoint the fifth member.

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 type of fund comprises the financial activities of the Elkhart Recreation Commission for the year ended June 30, 2012:

Governmental Fund:

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

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.

ELKHART RECREATION COMMISSION
Elkhart, Kansas

NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2012 and 2011

(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

The municipality 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 municipality to use 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, 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, general long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes and compensated absences are not presented in the financial statements.

Tax Cycle

In Kansas, the County Clerk calculates the final tax levy rates necessary to finance the budget subject to any legal limitations. The clerk then certifies the tax roll to the County Treasurer, who prepares tax statements and receives payments. Taxes are levied in November and are due by December 20. Taxpayers may elect to pay in two installments, with the second half due by May 10.

ELKHART RECREATION COMMISSION
Elkhart, Kansas

NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2012 and 2011

(Continued)

Note 2: Stewardship, Compliances, and Accountability

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the General Fund. Although directory rather than mandatory, 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 1.
2. Publication in a local newspaper of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25.

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.

ELKHART RECREATION COMMISSION
Elkhart, Kansas

NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2012 and 2011

(Continued)

Note 2: Stewardship, Compliances, and Accountability (Continued)

Compliance with Finance-Related Legal and Contractual Provisions

Finance-related legal and contractual provisions include Kansas statutes, regulations, contracts, debt covenants or other agreements. No material violations of finance-related legal and contractual provisions were noted for the year ended June 30, 2012. No material budget violations were noted for the year ended June 30, 2012. No material deficit fund balances were noted for the year ended June 30, 2012. Management is not aware of any statutory violations for the year ended June 30, 2012.

Note 3: Deposits and Investments

The Elkhart Recreation Commission had no investments during the year ended June 30, 2012.

K.S.A. 9-1401 establishes the depositories which may be used by the Elkhart Recreation Commission. The statute requires banks eligible to hold the Elkhart Recreation Commission's funds have a main or branch bank in the county in which the Elkhart Recreation 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 Elkhart Recreation Commission has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Elkhart Recreation 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 Elkhart Recreation 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 Elkhart 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.

ELKHART RECREATION COMMISSION
Elkhart, Kansas

NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2012 and 2011

(Continued)

Note 3: Deposits and Investments (Continued)

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Elkhart Recreation Commission's deposits may not be returned to it. State statutes require the Elkhart 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 Elkhart Recreation Commission has no designated "peak periods". All deposits were legally secured at June 30, 2012.

At June 30, 2012, the Elkhart Recreation Commission's carrying amount of deposits was \$117,538 and the bank balance was \$122,896. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, all was covered by federal depository 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 Elkhart 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.

Note 4: Risk Management

The Elkhart Recreation Commission is exposed to various risks of loss from torts, theft of, damage to, and destruction of assets; errors and omission; injuries to employees and illnesses; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters.

Note 5: Compensated Absences

The Elkhart Recreation Commission does not allow for compensated absences such as sick leave. Therefore, no accrual of a liability is necessary at June 30, 2012.

Note 6: Long-Term Debt

On October 13, 2009, the Elkhart Recreation Commission leased additional field lighting equipment. Total lease payments will be \$206,021.28. Rental payments of \$34,336.88 are to be paid on March 15 for six years, with the final payment due March 15, 2015. The first payment was paid July 15, 2010.

ELKHART RECREATION COMMISSION
Elkhart, Kansas

NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2012 and 2011
(Continued)

Note 6: Long-Term Debt (Continued)

Changes in long-term liabilities for the Elkhart Recreation Commission for the year ended June 30, 2012 ~~are~~ **were** as follows:

<u>Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/Payments</u>	<u>Net Change</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
Field Lighting Lease 2	6.94%	10/13/2009	\$170,395	03/15/2015	<u>\$116,464</u>	<u>-</u>	<u>\$ 26,254</u>	<u>\$(26,254)</u>	<u>\$ 90,210</u>	<u>\$ 8,082</u>

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

	<u>6-30-13</u>	<u>6-30-14</u>	<u>6-30-15</u>	<u>Total</u>
Principal:				
Light leases payable	\$ 28,076	\$ 30,025	\$ 32,109	\$ 90,210
Interest:				
Light leases payable	<u>6,261</u>	<u>4,312</u>	<u>2,228</u>	<u>12,801</u>
Total Principal and Interest	<u>\$ 34,337</u>	<u>\$ 34,337</u>	<u>\$ 34,337</u>	<u>\$103,011</u>

ELKHART RECREATION COMMISSION
Elkhart, Kansas

Schedule 1

SUMMARY OF EXPENDITURES – ACTUAL AND BUDGET
For the fiscal year ended June 30, 2012

<u>Funds</u>	<u>Certified Budget</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Favorable (Unfavor.)</u>
Governmental Type Fund:			
General Fund	<u>\$365,449</u>	<u>\$231,461</u>	<u>\$133,988</u>

ELKHART RECREATION COMMISSION
Elkhart, Kansas

Schedule 2

SCHEDULE OF CASH RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – GENERAL FUND

For the year ended June 30, 2012

(with comparative actual totals for the prior year ended June 30, 2011)

	Current Year		<u>Variance</u>	<u>Prior</u>
	<u>Actual</u>	<u>Budget</u>	<u>Favorable</u>	<u>Year</u>
			<u>(Unfavor.)</u>	<u>Actual</u>
<u>Cash Receipts</u>				
Morton County Treasurer	\$200,000	\$200,000	\$ -	\$224,000
Reimbursements	-	3,000	(3,000)	-
Water Aerobics	1,737	3,000	(1,263)	1,950
Refunds and fees	11,535	15,000	(3,465)	9,270
Interest income	29	1,000	(971)	126
Concession stand income	8,851	15,000	(6,149)	13,532
Kids BB Tourney	8,443	12,000	(3,557)	6,795
Miscellaneous	<u>3,366</u>	<u>7,000</u>	<u>(3,634)</u>	<u>4,307</u>
 Total cash receipts	 <u>\$233,961</u>	 <u>\$256,000</u>	 <u>\$ (22,039)</u>	 <u>\$259,980</u>
 <u>Expenditures</u>				
Community support	\$ 7,369	\$ 16,450	\$ 9,081	\$ 8,102
Miscellaneous – Not ball related	1,504	5,000	3,496	3,615
Building expense	14,567	35,000	20,433	7,902
Field lighting lease	34,337	34,337	-	68,674
Field equipment and upkeep	15,336	35,000	19,664	12,377
Ball equipment and uniforms	12,714	25,000	12,286	11,292
Utilities	16,022	25,962	9,940	12,111
Announcers/Scorekeepers	951	2,000	1,049	462
Charters, fees, insurance	12,957	20,000	7,043	11,470
Vehicle expense	6,797	12,000	5,203	5,938
Directors salaries	34,753	35,000	247	32,624
Salaries – Other	4,223	6,000	1,777	4,213
Salaries – Maintenance	18,270	35,000	16,730	23,775

ELKHART RECREATION COMMISSION
Elkhart, Kansas

Schedule 2
(Continued)

SCHEDULE OF CASH RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – GENERAL FUND
For the year ended June 30, 2012
(with comparative actual totals for the prior year ended June 30, 2011)

	<u>Current Year</u>		<u>Variance</u> <u>Favorable</u> <u>(Unfavor.)</u>	<u>Prior</u> <u>Year</u> <u>Actual</u>
	<u>Actual</u>	<u>Budget</u>		
<u>Expenditures</u> (Continued)				
Payroll taxes	5,062	8,000	2,938	5,931
Unemployment taxes	626	500	(126)	312
Workers Compensation insurance	6,258	5,000	(1,258)	2,762
Officiation and announcing salaries	5,948	8,000	2,052	7,905
Miscellaneous – Ball related	7,842	5,000	(2,842)	2,293
Kids BB Tourney	8,925	15,000	6,075	6,566
Administration	3,686	8,000	4,314	5,957
Concession stand expenses	8,847	20,000	11,153	13,756
Concession stand salaries	3,460	8,000	4,540	11,298
Sales tax	<u>1,007</u>	<u>1,200</u>	<u>193</u>	<u>-</u>
Total expenditures	<u>\$231,461</u>	<u>\$365,449</u>	<u>\$133,988</u>	<u>\$259,335</u>
Cash Receipts over (under) expenditures	\$ 2,500			\$ 645
Unencumbered Cash, Beginning	<u>109,949</u>			<u>109,304</u>
Unencumbered Cash, Ending	<u>\$112,449</u>			<u>\$109,949</u>