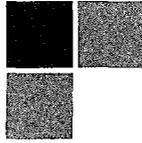


**ELLIS RECREATION COMMISSION**

Financial Statements With Independent Auditors' Report

For the Year Ended June 30, 2012



Certified  
Public  
Accountants

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
**Ellis Recreation Commission**  
Ellis, Kansas

We have audited the accompanying financial statements of **Ellis Recreation Commission**, a component unit of Unified School District No. 388, Ellis, Kansas, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of **Ellis Recreation Commission's** management. Our responsibility is to express opinions 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 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 opinions.

As described more fully in Note 1, **Ellis Recreation Commission** has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, whose 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 **Ellis Recreation Commission**, as of June 30, 2012, 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 each fund of **Ellis Recreation Commission**, as of June 30, 2012, and their respective cash receipts and disbursements and budgetary results for the year then ended, on the basis of accounting described in Note 1.

*Adams, Brown, Beran & Ball*

ADAMS, BROWN, BERAN & BALL, CHTD.  
Certified Public Accountants

November 14, 2012

**ELLIS RECREATION COMMISSION**  
Financial Statements With Independent Auditors' Report  
For the Year Ended June 30, 2012

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**ELLIS RECREATION COMMISSION**  
 Summary of Cash Receipts, Expenditures, and Unencumbered Cash  
 For the Year Ended June 30, 2012

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
<b>Governmental Fund Categories</b>							
<b>General Fund</b>							
General Fund	\$ 229,635	-	181,177	172,882	237,930	4,355	242,285
<b>Special Revenue Fund</b>							
Employee Benefits Fund	18,048	-	25,053	21,349	21,752	20	21,772
<b>Total Reporting Entity</b>	<b>\$ 247,683</b>	<b>-</b>	<b>206,230</b>	<b>194,231</b>	<b>259,682</b>	<b>4,375</b>	<b>264,057</b>
<b>Composition of Cash</b>							
					Checking Accounts		\$ 26,927
					Savings Accounts		217,285
					Certificates of Deposit		19,845
					<b>Total Reporting Entity</b>		<b>\$ 264,057</b>

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

**ELLIS RECREATION COMMISSION**  
 Summary of Expenditures - Actual and Budget  
 For the Year Ended June 30, 2012

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
<b>Governmental Fund Categories</b>					
<b>General Fund</b>					
General Fund	\$ 201,249	-	201,249	172,882	(28,367)
<b>Special Revenue Fund</b>					
Employee Benefits Fund	25,053	-	25,053	21,349	(3,704)

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

**ELLIS RECREATION COMMISSION**  
**General Fund**

Statement of Cash Receipts and Expenditures - Actual and 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 Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Appropriations	\$ 139,712	151,471	151,471	-
Interest on Idle Funds	1,329	388	2,345	(1,957)
Participation Fees	23,326	25,030	30,000	(4,970)
Miscellaneous	5,616	2,973	6,064	(3,091)
Donations	1,520	1,315	500	815
<b>Total Cash Receipts</b>	<b>171,503</b>	<b>181,177</b>	<b>190,380</b>	<b>(9,203)</b>
<b>Expenditures</b>				
Administration	36,465	36,263	37,614	(1,351)
Adult Programs	104	269	500	(231)
Advertising	1,401	2,494	2,000	494
Aerobics	254	1,563	1,500	63
Baseball/Softball	16,815	18,787	17,000	1,787
Boys/Girls Basketball	3,379	3,653	4,000	(347)
Capital Outlay	19,480	22,665	30,000	(7,335)
Co-ed Softball	-	-	1,800	(1,800)
Concessions	3,885	2,320	5,000	(2,680)
Fair Board Lease	1,000	1,000	1,000	-
Federated/Youth Football	5,531	4,041	5,500	(1,459)
General Maintenance	11,385	12,339	15,000	(2,661)
Hourly Help	17,798	19,198	21,875	(2,677)
Hunter Safety	-	-	100	(100)
Insurance	3,205	3,302	4,000	(698)
Junior Golf	481	-	500	(500)
Kickball/Track	940	1,558	1,200	358
Legal and Professional	6,062	6,038	8,250	(2,212)
Maintenance - Salaries	7,543	7,965	7,910	55
Men's Basketball Tournaments	2,300	1,928	3,000	(1,072)
Miscellaneous	1,244	1,013	4,000	(2,987)
New Programs	179	-	1,000	(1,000)
Office	4,285	5,174	5,000	174
Professional Development	901	1,348	1,500	(152)
Senior Programs	189	431	1,000	(569)
Soccer	4,135	3,553	5,000	(1,447)
Special Events	2,200	2,260	2,500	(240)
Utilities	3,926	3,936	5,000	(1,064)
Volleyball	2,291	2,915	3,000	(85)
Youth Leisure Programs	5,571	6,869	5,500	1,369
<b>Total Expenditures</b>	<b>162,949</b>	<b>172,882</b>	<b>201,249</b>	<b>(28,367)</b>
<b>Cash Receipts Over (Under) Expenditures</b>	<b>8,554</b>	<b>8,295</b>		
<b>Unencumbered Cash - Beginning</b>	<b>221,081</b>	<b>229,635</b>		
<b>Unencumbered Cash - Ending</b>	<b>\$ 229,635</b>	<b>237,930</b>		

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

**ELLIS RECREATION COMMISSION**  
**Employee Benefits Fund**  
 Statement of Cash Receipts and Expenditures - Actual and 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 Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Appropriations	\$ 21,786	<b>25,053</b>	25,053	-
<b>Expenditures</b>				
KPERs	2,611	<b>2,935</b>	3,370	(435)
Liability Insurance	250	<b>250</b>	1,760	(1,510)
Linebacker Insurance	909	<b>955</b>	1,288	(333)
Health Insurance	9,820	<b>11,030</b>	12,033	(1,003)
Worker Compensation Insurance	884	<b>899</b>	1,200	(301)
Unemployment Taxes	61	<b>66</b>	100	(34)
FICA - Employer's Share	4,892	<b>5,214</b>	5,302	(88)
<b>Total Expenditures</b>	19,427	<b>21,349</b>	25,053	(3,704)
<b>Cash Receipts Over (Under) Expenditures</b>	2,359	<b>3,704</b>		
<b>Unencumbered Cash - Beginning</b>	15,689	<b>18,048</b>		
<b>Unencumbered Cash - Ending</b>	\$ 18,048	<b>21,752</b>		

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

## ELLIS RECREATION COMMISSION

Notes to Financial Statements

June 30, 2012

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Ellis Recreation Commission** has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

#### **Reporting Entity**

The Recreation Commission is authorized by K.S.A. 12-1922 under an agreement with Unified School District No. 388, Ellis, Kansas, to provide a system of public recreation and playgrounds. The governing body of the Recreation Commission consists of five members: two appointed by Unified School District No. 388, Ellis, Kansas, two appointed by the City of Ellis, Kansas, and one appointed by the first four appointed members. These financial statements consist of all the funds of the Recreation Commission. The Recreation Commission receives funding from local and state governmental sources and must comply with the requirements of these funding sources.

The Recreation Commission is a component unit of Unified School District No. 388, Ellis, Kansas. The Recreation Commission is controlled by or dependent on Unified School District No. 388, Ellis, Kansas. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board. These financial statements include only the funds of the Recreation Commission.

#### **Use of Estimates**

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the reported amount of unencumbered cash balances and accounts payable during the reporting period. Actual results could differ from these estimates.

#### **Basis of Presentation – Fund Accounting**

The accounts of the Recreation Commission are organized and operated on the basis of funds. In governmental accounting, a fund is defined as 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 is maintained consistent with legal and managerial requirements.

The following categories of funds comprise the financial activities of the Recreation Commission for the year ended June 30, 2012.

#### **Governmental Fund Categories**

**General Fund** – to account for all financial resources except those required to be reported in another fund.

**Special Revenue Funds** – to account for the proceeds of specific revenue sources that are legally restricted to expenditure for a specified purpose.

#### **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

## ELLIS RECREATION COMMISSION

Notes to Financial Statements

June 30, 2012

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 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 expenses, 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 Recreation 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.

#### **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. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget.

- a. Prior to certification of the budget to Unified School District No. 388, Ellis, Kansas, the Recreation Commission will meet to answer questions and objections of taxpayers relating to the proposed budget or for amendments to the proposed budget.
- b. Publication in local newspaper of the proposed budget notice of public hearing on the budget 10 days prior to meeting.
- c. Public hearing to be held not less than 10 days prior to the date on which the Recreation Commission is required to certify its budget to Unified School District No. 388, Ellis, Kansas.
- d. Adoption of the final budget to Unified School District No. 388, Ellis, Kansas, no later than August 1<sup>st</sup>.

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 10 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.

## ELLIS RECREATION COMMISSION

Notes to Financial Statements

June 30, 2012

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Recreation Commission 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.

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.

#### Deposits and Investments

The Recreation Commission follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund category in the summary of cash receipts, expenditures, and unencumbered cash.

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, 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 Recreation Commission has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Recreation Commission's investments 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 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 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.

#### 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 does not use "peak periods". All deposits were legally secured at June 30, 2012.

At June 30, 2012, the Recreation Commission's carrying amount of deposits was \$264,057 and the bank balance was \$269,029. The bank balance was held by two banks 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 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. The Recreation Commission had no investments at June 30, 2012.

**ELLIS RECREATION COMMISSION**  
Notes to Financial Statements  
June 30, 2012

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Compensated Absences**

**Vacation**

Vacation is granted to all full-time Recreation Commission employees on the basis of 14 days per year. Vacation needs to be taken during low-load times during the recreation seasons. It needs to be used in full every year or the employee will lose it, unless other arrangements are approved by the Board. Vacation shall be charged in increments of not less than one half day. Vacation is tracked on a calendar year basis. A potential liability for accumulated vacation was \$2,194 as of June 30, 2012.

**Medical Leave**

Medical leave is granted to all full-time Recreation Commission employees on the basis of four hours per each accrued paycheck. Any absence for a fraction or part of a day, which is chargeable to medical leave, shall be charged in increments of not less than one-quarter hour. An employee shall not be paid for any unused medical leave upon termination of his or her employment with the Recreation Commission. A potential liability for accumulated medical leave was \$3,683 as of June 30, 2012.

**Defined Benefit Pension Plan**

**Plan Description**

The Recreation 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 66603-3869) or by calling 1-888-275-5737.

**Funding Policy**

K.S.A. 74-4919 establishes the KPERs member-employee contribution rate at 4% and 6% (if hired on or after July 1, 2009) 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 contribution rates for KPERs employers. The employer rate established for calendar year 2011 was 7.74% and is 8.34% for 2012. The Recreation Commission's employer contributions to KPERs for the years ending June 30, 2012, 2011, and 2010 were \$2,935, \$2,611 and \$2,135, respectively, equal to the required contributions for each year as set forth by the legislature.

**Property Tax Calendar**

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1<sup>st</sup> are due one-half by December 20<sup>th</sup> and one-half by May 10<sup>th</sup>. Major tax distributions are made in the months of December through July. Lien dates for personal property are in March and August and lien dates for real property are in September. Taxes are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received.

**Reimbursements**

The Recreation Commission records reimbursable expenditures (or expenses) in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparison, the expenditures (or expenses) are properly offset by the reimbursements.

**NOTE 2 – LITIGATION**

**ELLIS RECREATION COMMISSION**  
Notes to Financial Statements  
June 30, 2012

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**Ellis Recreation Commission** is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the Recreation Commission.

**NOTE 3 – RISK MANAGEMENT**

**Ellis Recreation Commission** carries commercial insurance for risks of loss, including property, general liability, inland marine, automobile, workers compensation, and fidelity bond coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 4 – COMPARATIVE DATA**

Comparative data for the prior year has been presented in Statement 3 in the accompanying financial statements in order to provide an understanding of changes in **Ellis Recreation Commission's** cash and unencumbered cash balances. However, complete comparative data (presentation of prior year totals in Statement 1) has not been presented since their inclusion would make the statement unduly complex and difficult to read.

**NOTE 5 – OPERATING LEASES**

On January 1, 2006, **Ellis Recreation Commission** entered into a 30 year operating lease agreement with the Ellis County Junior Free Fair Association, Inc. for real estate located in the City of Ellis, Kansas. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreements are not reflected in the Recreation Commission's financial statements. A payment of \$1,000 was paid during fiscal year 2012. Future scheduled payments to maturity are as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 1,000
2014	1,000
2015	1,000
2016	1,000
2017	1,000
2018 - 2022	5,000
2023 - 2027	5,000
2028 - 2032	5,000
2033 - 2035	3,000