EMPORIA RECREATION COMMISSION

Emporia, Kansas

Financial Statements

For the Year Ended June 30, 2012

EMPORIA RECREATION COMMISSION
EMPORIA, KANSAS

Financial Statements
For the Year Ended June 30, 2012

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MIZE HOUSER & COMPANY P.A.

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Emporia Recreation Commission
Emporia, Kansas

We have audited the summary statement of cash receipts, expenditures, and unencumbered cash balances of Emporia Recreation Commission, Emporia, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we express no such opinion. 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 Recreation Commission has prepared this financial statement using 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 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 Emporia Recreation Commission, Emporia, Kansas, as of June 30, 2012, or the respective changes in financial position and changes in cash flows, where applicable, for the year then ended.

Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the 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.

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Our audit was conducted for the purpose of forming an opinion on the financial statement. The summary of expenditures-actual and budget and the individual fund schedules 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.

Mize, Houser & Company

December 27, 2012

EMPORIA RECREATION COMMISSION
EMPORIA, KANSAS

Summary of Cash Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended June 30, 2012

Fund	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add: Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds:							
General Funds							
General	$ 778,217	$ -	$ 1,896,046	$ 2,173,527	$ 500,736	$ 112,009	$ 612,745
Special Purpose Fund:							
Employee Benefits	137,884	-	161,462	222,777	76,569	27,570	104,139
Total	$ 916,101	$ -	$ 2,057,508	$ 2,396,304	$ 577,305	$ 139,579	$ 716,884

Composition of ending cash	
Time deposits	
Commerce Bank & Trust	$ 706,998
Demand deposits	
Commerce Bank & Trust (sweep account)	[110]
Cash on hand and returned checks	9,996
Total Cash	$ 716,884

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

EMPORIA RECREATION COMMISSION
EMPORIA, KANSAS

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 1 - Summary of Significant Accounting Policies

Reporting Entity

The Emporia Recreation Commission was established as a joint venture between the City of Emporia, Kansas and Unified School District Number 253, Emporia, Kansas. The governing Board consists of two members from the Emporia City Commission, two members from the Unified School District Number 253 Board of Directors, two members appointed by the Emporia City Commission, two members appointed by Unified School District Number 253 Board of Directors and one at large Board member appointed by the other eight appointed members of the Recreation Commission Board.

The Commission utilizes the tax authority and tax base of Unified School District Number 253, Emporia, Kansas to levy ad valorem taxes to help fund its general fund and employee benefit fund budgets.

The City of Emporia, Kansas has issued general obligation bonds, the proceeds of which were used to construct a portion of the facility used by the Commission.

The Commission has no component units.

Reimbursed Expenses

Expenditures in the amount of $233,839 are classified as reimbursed expenses in the General Fund. The purpose of these expenditures is payments for goods and services in which fees are collected and such expenditures are exempt from the budget law under K.S.A. 79-2934.

Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses shown in the financial statements meet the following criteria:

1. the related disbursement was made in the current year on behalf of the payee,
2. the item paid for was directly identifiable as having been used by or provided to the payee,
3. the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement.

Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The KMAG regulatory basis of accounting involves the recognition of cash, cash equivalents, and 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 KMAG 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.

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 regulatory basis for accounting.

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Fund Descriptions

In governmental 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 Recreation Commission for the year ended June 30, 2012:

Governmental 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 major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, and special revenue funds (unless specifically exempted by statute). 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 fiscal 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 for 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 statutory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, 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. All unencumbered appropriations (legal budget expenditure authority) lapse 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.

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Budgetary Information (Continued)

Ad Valorem Tax Revenues

The determination of assessed valuations and the collection of property taxes for all political subdivisions in the State of Kansas are the responsibility of the various counties. The County Appraiser annually determines assessed valuations on January 1 and the County Clerk spreads the annual assessment on the tax rolls. Property taxes are levied as of November 1 and become a lien on the property as of that date.

Payments are due November 1, becoming delinquent with penalty, December 21. Payments of 50% are accepted through December 20, with the second 50% then being due on or before May 10 of the following year. The County Treasurer is the tax collection agent for all taxing entities within the County. The initial distribution to the subdivisions, including the Recreation Commission, is on or before January 20 of the ensuing year. Additional amounts are distributed on four (4) subsequent dates throughout the calendar year.

NOTE 2 – Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the Recreation Commission. The statue 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.

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%. All deposits were legally secured at June 30, 2012.

At June 30, 2012, the Recreation Commission's carrying amount of deposits were $716,884 and the bank balance was $769,682. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, $250,000 was covered by federal depository insurance, $519,682 was collateralized with securities held by the pledging financial institutions' agents in the Recreation Commission's name.

NOTE 3 - Operating Lease

The Commission conducts a portion of its operations utilizing an operating leases for a credit card machine. The credit card machine lease had lease terms of 48 months which expire September 2014. Current year rental payments under operating leases were $1,174.

EMPORIA RECREATION COMMISSION
EMPORIA, KANSAS

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 4 - Long-Term Debt

Following is a detailed listing of the recreation commission's long and short-term debt including capital leases:

Debt Issue	Date Issued	Original Amount	Interest Rate	Maturity Date
Capital Leases:				
City of Emporia interlocal agreement natatorium project	3/1/2009	$ 184,653	3.89%	9/1/2019
City of Emporia interlocal agreement renovation project	3/1/2009	191,649	3.89%	9/1/2019
Two John Deere 1445 Front Mowers	3/22/2009	29,127	5.75%	2/22/2013
John Deere Side Discharge Mower	6/4/2012	5,785	0.00%	6/4/2015

Following is a summary of changes in long-term debt for the year ended June 30, 2012:

Type of Issue	Beginning Principal Outstanding	Additions to Principal	Reductions of Principal	Ending Principal Outstanding	Interest Paid
City of Emporia interlocal agreement natatorium project	$ 169,194	$ -	$ [16,060]	$ 153,134	$ 6,269
City of Emporia interlocal agreement renovation project	175,605	-	[16,668]	158,937	6,508
Two John Deere 1445 Front Mowers	12,892	-	[7,586]	5,306	543
John Deere Side Discharge Mower	-	5,785	[161]	5,624	-
	$ 357,691	$ 5,785	$ [40,475]	$ 323,001	$ 13,320

NOTE 4 - Long-Term Debt (Continued)

The annual debt service requirements for these leases are as follows:

Year Ending June 30,	Capital Leases
2013	$ 52,828
2014	47,381
2015	47,195
2016	45,398
2017	45,371
2018-2020	136,029
Total Principal and Interest	374,202
Less: Interest	[51,201]
Total Principal	$ 323,001

NOTE 5 - Defined Benefit Pension Plan

Plan Description. The Commission participates in 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 South Kansas Avenue, Topeka, Kansas 66603).

Funding Policy. K.S.A. 74-4919 and K.S.A. 74-4921 establishes 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 at 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. The State of Kansas is required to contribute the statutory required employers share. Estimated Kansas contributions to KPERS for the Recreation Commission employees for the years ending June 30, 2012, 2011, and 2010 were $38,131, $30,902, and $25,947, respectively, equal to the required contributions for each year.

NOTE 6 - Compensated Absences

The Commission's policy is to recognize the costs of compensated absences when actually paid.

The Commission's policy regarding vacation and sick pay permits full-time salaried employees to earn vacation days based upon years of service. Vacation is earned at a rate of 8 hours per month after one year of service, 10 hours per month after ten years of service, 12 hours per month after fifteen years of service, and 14 hours per month after twenty-five years of service. Vacation is not cumulative.

Sick leave for full-time salaried employees may be earned at a rate of one day per month of unbroken service and may be accumulated to a total of ninety working days. Unused sick leave is canceled when the employee resigns or is discharged.

NOTE 7 - Contributed Service

A substantial number of services are made available to the Commission by the City of Emporia, Kansas. These services include such items as park maintenance and usage of facilities and equipment. The City of Emporia has capitalized, in its records, the cost of the Commission facility due to the nature of funding obtained by the City of Emporia for its construction. Dollar amounts for City of Emporia provided services are not determinable but would significantly affect the expenditures of the Commission if it had to provide these services itself.

NOTE 8 - Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omission; and natural disasters for which the Commission carries commercial insurance. Insurance claims for the preceding three years have not exceeded insurance coverage.

EMPORIA RECREATION COMMISSION
EMPORIA, KANSAS

Summary of Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2012

Fund	Certified Budget	Adjustment to Comply with Legal Max	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year Budget	Variance Over [Under]
Governmental Type Funds:						
General Funds						
General	$ 2,902,264	$ -	$ 233,839	$ 3,136,103	$ 2,173,527	$ 962,576
Special Purpose Fund:						
Employee Benefits	234,000	-	-	234,000	222,777	11,223

See independent auditor's report on the financial statements.

EMPORIA RECREATION COMMISSION
EMPORIA, KANSAS

Schedule of Cash Receipts and Expenditures - Actual and Budget
General Fund
For the Year Ended June 30, 2012

	Actual	Budget	Variance Over [Under]
Cash Receipts			
Local sources			
Ad valorem tax	$ 1,036,475	$ 1,100,000	$ [63,525]
Delinquent tax	19,871	16,000	3,871
Other			
Sales	30,724	65,000	[34,276]
Fees and charges for service	453,942	529,600	[75,658]
Rentals	15,753	12,200	3,553
Sponsorships	14,143	16,400	[2,257]
Interest on idle funds	501	2,000	[1,499]
Restitution	300	2,000	[1,700]
Reimbursed expenses	233,839	224,800	9,039
Miscellaneous	4,984	-	4,984
County sources			
Motor vehicle tax	84,394	90,000	[5,606]
Recreational vehicle tax	1,120	2,000	[880]
Total Cash Receipts	1,896,046	$ 2,060,000	$ [163,954]
Expenditures			
Community service operations			
Personnel services			
Full-time staff	454,188	$ 506,268	$ 52,080
Part-time staff	694,721	629,372	[65,349]
Interns	13,463	15,000	1,537
Plant operation			
Contracted services	133,786	123,250	[10,536]
Telephone	4,571	6,000	1,429
Utilities	129,053	120,200	[8,853]
Commodities			
Office supplies	13,231	13,850	619
Custodial supplies	8,620	11,350	2,730
Recreation supplies	80,055	83,750	3,695
Maintenance supplies/chemicals	33,402	32,200	[1,202]
Concession supplies	26,205	27,790	1,585
Maintenance tools/repair	36,062	25,000	[11,062]

See independent auditor's report on the financial statements.

EMPORIA RECREATION COMMISSION
EMPORIA, KANSAS

General Fund
Schedule of Cash Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2012

	Actual	Budget	Variance Over [Under]
Community service operations (continued)			
General and administrative			
Staff development	$ 8,898	$ 15,600	$ 6,702
Professional fees	5,856	7,100	1,244
Insurance	14,785	16,300	1,515
Legal and accounting	16,286	10,000	[6,286]
Publicity	19,001	24,650	5,649
Postage	7,165	9,850	2,685
Vehicles	22,143	26,100	3,957
Transportation	1,228	6,300	5,072
Capital outlay and improvements			
Facilities/construction	-	512,829	512,829
Replacement and repairs	244,632	422,500	177,868
Facility payment	45,505	45,505	-
Facility rent	3,543	6,700	3,157
Equipment	58,849	84,700	25,851
Office equipment	21,233	30,500	9,267
Other			
Reimbursements	55,654	60,000	4,346
Participation refunds	3,547	3,900	353
Miscellaneous	17,845	25,700	7,855
Adjustment for qualifying budget credits	-	233,839	233,839
Total Expenditures	2,173,527	$ 3,136,103	$ 962,576
Receipts Over [Under] Expenditures	[277,481]		
Unencumbered Cash, Beginning	778,217		
Unencumbered Cash, Ending	$ 500,736		

See independent auditor's report on the financial statements.

EMPORIA RECREATION COMMISSION
EMPORIA, KANSAS

Employee Benefits Fund
Schedule of Cash Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2012

	Actual	Budget	Variance Over [Under]
Cash Receipts			
Local sources			
Ad valorem tax	$ 141,221	$ 90,000	$ 51,221
Delinquent tax	3,263	4,000	[737]
County sources			
Motor vehicle tax	16,756	20,000	[3,244]
Recreational vehicle tax	222	300	[78]
Total Cash Receipts	161,462	$ 114,300	$ 47,162
Expenditures			
Community service operations			
Employer's FICA expense	90,216	$ 85,000	$ [5,216]
Employees' retirement	38,131	40,000	1,869
Workmen's compensation	12,173	12,000	[173]
Unemployment insurance	4,339	2,000	[2,339]
Health insurance	58,892	50,000	[8,892]
Liability insurance	7,114	25,000	17,886
Miscellaneous	11,912	20,000	8,088
Total Expenditures	222,777	$ 234,000	$ 11,223
Receipts Over [Under] Expenditures	[61,315]		
Unencumbered Cash, Beginning	137,884		
Unencumbered Cash, Ending	$ 76,569		

See independent auditor's report on the financial statements.