

GARDEN CITY RECREATION COMMISSION
(A Component Unit of the City of Garden City, Kansas)

BASIC FINANCIAL STATEMENTS

December 31, 2012

GARDEN CITY RECREATION COMMISSION
(A Component Unit of the City of Garden City, Kansas)

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Garden City Recreation Commission
Garden City, Kansas 67846

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Garden City Recreation Commission, a component unit of the City of Garden City, Kansas, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Garden City Recreation Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Garden City Recreation Commission's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 and Accounting 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

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

405 North Sixth Street | P.O. Box 699
Garden City, KS 67846
620-275-9267 | 800-627-0636
Fax: 620-275-8936 | www.lhd.com

CPAs

Charles H. Claar, Jr, CPA
Theresa Dasenbrock, CPA, CFE
David L. Hetrick, CPA
Steven D. Jossierand, CPA
Gary A. Schlappe, CPA
Rodney Van Norden, CPA

Lisa L. Axman, CPA
Sarah J. Bartel, CPA
Sue A. Bradley, CPA
Susan A. Burgardt, CPA
Shannon N. Miller, CPA
Tracey Homm, CPA, CSEP
Rebecca L. Pfannenstiel, CPA
Kimberly A. Roth, CPA
Kristin J. Sekavec, CPA
Keysha Urie, CPA
Monica J. Wilson, CPA

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Garden City Recreation Commission, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Garden City Recreation Commission's basic financial statements. The supplementary information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic 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 statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, 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 statements as a whole.



LEWIS, HOOPER & DICK, LLC

April 26, 2013

Management's Discussion and Analysis

As management of the Garden City Recreation Commission, Kansas, we offer readers of the Garden City Recreation Commission's financial statements this narrative overview and analysis of the financial activity of the Garden City Recreation Commission for the fiscal year ended December 31, 2012.

Financial Highlights

- The assets of the Garden City Recreation Commission exceeded its liabilities at the close of the most recent fiscal year by \$648,107 (net position). Of this amount, \$331,639 (unrestricted net position) may be used to meet the Recreation Commission's ongoing obligations to citizens and creditors.
- The Recreation Commission's total net position decreased by \$185,297. Approximately 100% of this decrease was attributable to increased expenses for parks and recreation.
- At the close of the current fiscal year, the Garden City Recreation Commission's governmental funds reported combined fund balances of \$379,350, a decrease of \$219,390 in comparison with the prior year. Approximately 96% of this total amount is available for spending at the Recreation Commission's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$506,479, or 28% of total general fund expenditures.
- The Garden City Recreation Commission's total debt decreased by \$3,414 (2.9%) during the current fiscal year. The key factor in this decrease was the retirement of leases exceeding the purchase of the 2012 Ford Fusion.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the Garden City Recreation Commission's basic financial statements. The Garden City Recreation Commission's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also contains supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Garden City Recreation Commission's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Commission's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether financial position of the Garden City Recreation Commission is improving or deteriorating.

The Statement of Activities presents information showing how the Commission's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements show the operations of the Recreation Commission as governmental activities, which are generally supported by taxes.

The government-wide financial statements are for the Garden City Recreation Commission only. The Garden City Recreation Commission is a component unit of the City of Garden City, Kansas. See note 1, item A, in the notes to the financial statements for more details regarding the relationship between the Recreation Commission and the City of Garden City, Kansas.

The government-wide financial statements can be found on pages 12 through 13 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Recreation Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Recreation Commission uses governmental funds to manage its resources

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Recreation Commission's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Garden City Recreation Commission maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the employee benefit fund.

The Garden City Recreation Commission adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund and the employee benefit fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14 through 19 of this report.

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 32 of this report.

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Government-wide Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the Garden City Recreation Commission, assets exceeded liabilities by \$648,107, at the close of the most recent fiscal year.

Combined net position of the Recreation Commission at December 31, 2012 and 2011, were:

Garden City Recreation Commission's Net Position

	Governmental Activities	
	2012	2011
Current and other assets	\$ 433,784	\$ 649,598
Capital assets	380,627	350,298
Total assets	<u>\$ 814,411</u>	<u>\$ 999,896</u>
Long-term liabilities	\$ 61,810	\$ 79,336
Other liabilities	104,494	87,156
Total liabilities	<u>\$ 166,304</u>	<u>\$ 166,492</u>
Net position:		
Net investment in capital assets	\$ 316,468	\$ 274,597
Unrestricted	331,639	558,807
Total net position	<u>\$ 648,107</u>	<u>\$ 833,404</u>

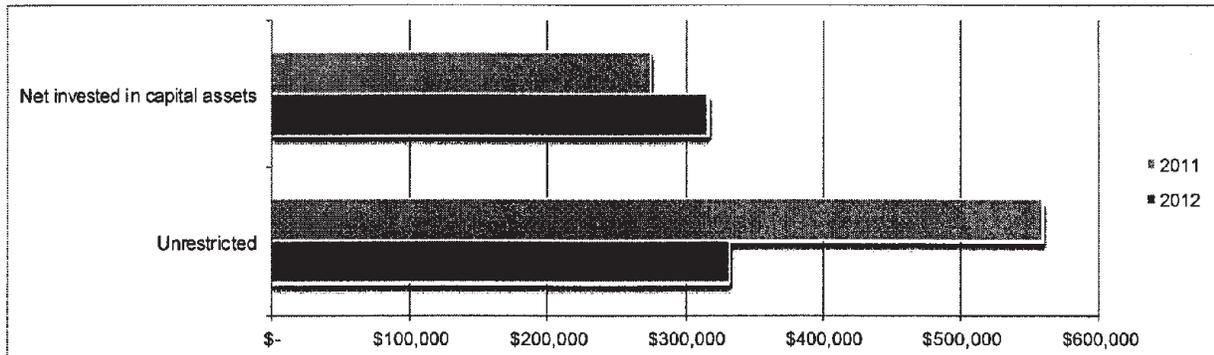
By far, the largest portion of the Garden City Recreation Commission's net position (59%) reflects its investment in capital assets (e.g., building improvements, equipment, and vehicles), less any related outstanding debt that was used to acquire those assets. The Garden City Recreation Commission uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the Garden City Recreation Commission's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net position (\$331,639) may be used to meet the Commission's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Garden City Recreation Commission is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental activities. The same situation held true for the prior fiscal year.

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Garden City Recreation Commission's Net Position
December 31, 2012 and 2011



The Recreation Commission's net position decreased by \$185,297 during the current fiscal year. The decrease was attributable to increases in expenses.

Governmental Activities

During the current fiscal year, net position for the governmental activities decreased \$185,297 from the prior fiscal year for an ending balance of \$648,107. While the current recession certainly had an impact on the Garden City Recreation Commission, management was able to take various actions (e.g., increasing rates for certain revenue sources, delaying certain nonrecurring expenses, reducing expenses related to non-essential ongoing recreation functions) that minimized its effect on the governmental activities.

Garden City Recreation Commission's Changes in Net Position

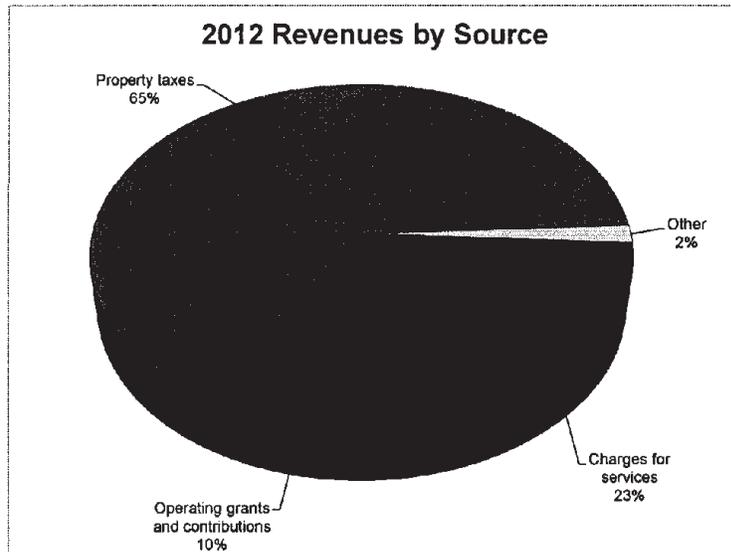
	Governmental Activities	
	2012	2011
Revenues:		
Program revenues:		
Charges for services	\$ 422,544	\$ 380,240
Operating grants and contributions	177,622	169,122
General revenues:		
Property taxes	1,194,250	1,158,495
Other taxes	5,000	5,000
Other	29,127	26,741
Total revenues	<u>1,828,543</u>	<u>1,739,598</u>
Expenses:		
Parks and recreation	<u>2,013,840</u>	<u>1,826,891</u>
Total expenses	<u>2,013,840</u>	<u>1,826,891</u>
Change in net position	(185,297)	(87,293)
Net position, beginning of year	<u>833,404</u>	<u>920,697</u>
Net position, end of year	<u>\$ 648,107</u>	<u>\$ 833,404</u>

Key elements of this decrease are as follows:

- Charges for services increased \$42,304, which includes program fees and sponsorships. This was largely a result of two areas of programming, the arts program and the sports program. There was an increase in the number of classes within both programs along with newly started classes gaining in popularity.
- Along with an increase in fees, donations and grants increased from \$169,122 to \$177,622.

- Concessions grew in the current year with revenues over expenditures by \$11,433.
- The Recreation Commission's maintenance division was able to hold cost in repairs and employee wages. Revenues over expenditures were \$28,924 for 2012.

The following graph shows the composition of 2012 revenues.



Financial Analysis of the Government's Funds

As noted earlier, the Recreation Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Recreation Commission's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Recreation Commission's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Recreation Commission itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Recreation Commission's Board.

At December 31, 2012, the Recreation Commission's governmental funds reported combined ending fund balances of \$379,350, a decrease of \$219,390 in comparison with the prior year. Approximately 96% of this total amount (\$364,338) constitutes unassigned fund balance, which is available for spending at the Commission's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to the Arts' Angels program (\$15,012).

The general fund is the chief operating fund of the Recreation Commission. At the end of the current fiscal year, unassigned fund balance of the general fund was \$491,467; assigned fund balance of \$15,012 was reserved for the Arts' Angels. As a measure of the general fund's liquidity, it may be useful to compare the unreserved fund balance to total fund expenditures. Unassigned fund balance represents 27.2% of total general fund expenditures, while total fund balance represents approximately 28% of that same amount.

The fund balance of the Recreation Commission's general fund decreased by \$100,134 during 2012. Key factors in this decrease are as follows:

- Property tax appropriations increased revenues by \$31,266
- Charges for services (fees and concessions) increased revenues by \$42,304.

- Labor costs increased expenditures by \$94,069.
- Repairs and maintenance expenditures decreased by \$27,774.
- Equipment and capital projects increased expenditures by \$157,519.

General Fund Budgetary Highlights

The legally adopted budget for the general fund was not amended during 2012. However, departments within the Recreation Commission are allowed to transfer budget authority between line items and between cost centers within a department. In addition, budget authority may be transferred out of cost centers to reflect insurance savings, budget cuts, etc. As a result of these budget transfers, the original budget and the final budgets may not be the same in some cost centers.

The most significant differences between estimated revenues and actual revenues were as follows:

Revenue Source	Estimated Revenues	Actual Revenues	Difference
Fees and concessions	\$ 352,000	\$ 422,544	\$ (70,544)
Donations and grants	159,500	177,622	18,122
Use of money and property	15,000	1,547	(13,453)

Fees and concessions were more than estimated as a result of the budget being conservatively stated in this area. Donations and grants were budgeted conservatively due to the uncertain economy, but actual collections increased. Use of money and property was less than estimated due to decreased investment rates and reimbursements were reported against expenditures.

A review of actual expenditures compared to the appropriations in the final budget yields significant variances as follows:

Expenditures Category	Estimated Expenditures	Actual Expenditures	Difference
Labor	\$ 1,061,367	\$ 1,016,571	\$ 44,796
Repairs and maintenance	82,574	33,818	48,756
Equipment and capital projects	420,452	253,457	166,995
Other	88,302	-	88,302

Labor expenditures were \$44,796 less than budgeted due to the budget reflecting potential increases in programs above the actual anticipated to allow for unexpected growth. Repairs and maintenance were \$48,756 less than budgeted due to needs coming in at a lesser rate than anticipated and a reimbursement from the City for pool repairs. Equipment and capital projects were \$166,995 less than budgeted due to a delay in equipment purchases and capital projects. Other expenditures were \$88,302 less than budgeted as this area is for unexpected contingencies and was not used in 2012.

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Capital Asset and Debt Administration

Capital Assets

The Garden City Recreation Commission investment in capital assets at December 31, 2012, amounts to \$380,267, (net of accumulated depreciation). This investment in capital assets includes buildings and improvements, and equipment. The total increase in capital assets for the current fiscal year was approximately 8.7%.

Garden City Recreation Commission's Capital Assets (net of depreciation)

	Governmental Activities	
	2012	2011
Buildings and improvements	\$ 34,349	\$ 32,250
Equipment	346,278	318,048
Total capital assets	<u>\$ 380,627</u>	<u>\$ 350,298</u>

Major capital asset events during the current fiscal year included the following equipment purchases:

2012 Ford Van	\$ 25,698
2010 Ford F350	24,000
2 Pool Vacuums	21,150
2012 Ford Fusion	16,385
Jaquar Bronze Race Timing	13,653
ADA Pool Lift	11,750
Total	<u>\$ 112,636</u>

Additional information about the Recreation Commission's capital assets can be found in note 1, item G, and note 4, item B, in the notes to the financial statements.

Long-term Debt

At the end of the current fiscal year, the Garden City Recreation Commission had long-term obligations comprised of capital leases totaling \$64,159. This balance represents a 15.2% decrease over the 2011 balance. The decrease is due to the retirement of leases exceeding the lease proceeds of \$42,083 for the purchase of the 2012 Ford Fusion; payments totaling \$53,625 were made on the capital leases in 2012.

Additional information on the Recreation Commission's long-term debt can be found in note 4, item G on page 32 of this report.

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Economic Factors and Next Year's Budget and Rates

The following economic factors currently affect the Garden City Recreation Commission and were considered in developing the 2013 fiscal year budget.

- The unemployment rate for the City of Garden City is currently 4.7% which is the same as a year ago. It compares favorably to the State's average unemployment rate of 5.7% and the national average of 8.1%.
- Inflationary trends in the region compare favorable to national indices.

During the current fiscal year, the unassigned fund balance in the general fund decreased to \$491,467. The Recreation Commission has appropriated this amount for spending in the 2013 fiscal year budget. It is intended that this available fund balance will avoid the need to raise taxes for future building renovations/projects or charges for programs during the 2013 fiscal year.

Requests for Information

This financial report is a general overview of the Recreation Commission's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be directed to the Superintendent, 310 North 6th, Garden City, KS 67846.

Basic Financial Statements

GARDEN CITY RECREATION COMMISSION
Statement of Net Position
December 31, 2012

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash	\$ 430,550
Prepaid insurance	3,234
Total current assets	433,784
Noncurrent assets:	
Capital assets (net of accumulated depreciation):	
Improvements and equipment	380,627
Total noncurrent assets	380,627
Total assets	\$ 814,411
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	\$ 51,200
Current portion of long-term liabilities	53,294
Total current liabilities	104,494
Noncurrent liabilities:	
Long-term liabilities due in more than one year	61,810
Total long-term liabilities	61,810
Total liabilities	\$ 166,304
<u>Net Position</u>	
Net investment in capital assets	\$ 316,468
Unrestricted	331,639
Total net position	\$ 648,107

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

GARDEN CITY RECREATION COMMISSION
Statement of Activities
For the Year Ended December 31, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	
<u>Functions/Programs</u>				
Governmental activities:				
Parks and recreation	\$ 2,013,840	\$ 422,544	\$ 177,622	\$ (1,413,674)
Total	\$ 2,013,840	\$ 422,544	\$ 177,622	(1,413,674)
General revenues:				
Taxes:				
Property taxes levied for general purposes				1,194,250
Other taxes				5,000
Investment earnings				17,707
Miscellaneous				11,420
Total general revenues				1,228,377
Change in net position				(185,297)
Net position, beginning of year				833,404
Net position, end of year				\$ 648,107

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

GARDEN CITY RECREATION COMMISSION
 Balance Sheet
 Governmental Funds
 December 31, 2012

<u>Assets</u>	<u>General</u>	<u>Employee Benefit</u>	<u>Total Governmental Funds</u>
Cash	\$ 430,550	\$ -	\$ 430,550
Advance to other funds	121,765	-	121,765
Total assets	<u>\$ 552,315</u>	<u>\$ -</u>	<u>\$ 552,315</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 45,836	\$ 5,364	\$ 51,200
Advance from other funds	-	121,765	121,765
Total liabilities	<u>45,836</u>	<u>127,129</u>	<u>172,965</u>
Fund balances:			
Assigned	15,012	-	15,012
Unassigned	491,467	(127,129)	364,338
Total fund balances	<u>506,479</u>	<u>(127,129)</u>	<u>379,350</u>
Total liabilities and fund balances	<u>\$ 552,315</u>	<u>\$ -</u>	<u>\$ 552,315</u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

GARDEN CITY RECREATION COMMISSION
 Reconciliation of the Balance Sheet to the
 Statement of Net Position - Governmental Funds
 December 31, 2012

Amounts reported for governmental activities in the statement of net position differ from the fund balances of governmental funds on the preceding balance sheet as shown in the following reconciliation:

Fund balances - total governmental funds		\$	379,350
 Amounts reported for governmental activities in the statement of net assets are different because:			
Prepaid insurance in governmental activities is not an expenditure in the current period and therefore is not reported in the governmental funds			3,234
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			380,627
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.			
Capital leases payable	\$	(64,159)	
Compensated absences		(50,945)	(115,104)
Net position of governmental activities		\$	<u>648,107</u>

GARDEN CITY RECREATION COMMISSION
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2012

	General	Employee Benefit	Total Governmental Funds
Revenue:			
City appropriation	\$ 1,036,250	\$ -	\$ 1,036,250
City appropriation - special	-	158,000	158,000
County liquor tax monies	5,000	-	5,000
Other receipts:			
Use of money and property	17,707	-	17,707
Fees	347,460	-	347,460
Concessions	75,084	-	75,084
Donations and grants	177,622	-	177,622
Miscellaneous	5,324	6,096	11,420
Total revenue	1,664,447	164,096	1,828,543
Expenditures:			
Purchases	31,811	-	31,811
Labor	1,016,571	-	1,016,571
Payroll taxes	-	153,905	153,905
Insurance	15,629	129,447	145,076
Utilities	21,146	-	21,146
Publicity	22,614	-	22,614
Repairs and maintenance	33,818	-	33,818
Services and dues	41,223	-	41,223
Staff development	33,024	-	33,024
Rent	4,132	-	4,132
Supplies	291,157	-	291,157
Equipment and capital projects	295,539	-	295,539
Total expenditures	1,806,664	283,352	2,090,016
Revenue under expenditures	(142,217)	(119,256)	(261,473)
Other financing sources:			
Capital lease proceeds	42,083	-	42,083
Net change in fund balances	(100,134)	(119,256)	(219,390)
Fund balance, beginning of year	606,613	(7,873)	598,740
Fund balance, end of year	\$ 506,479	\$ (127,129)	\$ 379,350

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

GARDEN CITY RECREATION COMMISSION
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended December 31, 2012

Amounts reported for governmental activities in the statement of revenue, expenditures and changes in fund balances of governmental funds differ from the amounts reported in the government-wide statement of activities as shown in the following reconciliation:

Net change in fund balances - total governmental funds		\$ (219,390)
--------------------------------------------------------	--	--------------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report prepaid insurance as expenditures. However, in the statement of activities the cost of those assets is allocated to future accounting periods based on the terms of the agreement and reported as expense.		350
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:

Expenditures for capital assets	\$ 186,205		
Less current year depreciation	(116,479)		
Less current year disposals (net of depreciation)	<u>(39,397)</u>		30,329

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Change in compensated absences		(8,128)
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Capital leases provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceed payments:

Principal proceeds	(42,083)		
Principal payments	<u>53,625</u>		<u>11,542</u>

Changes in net position of governmental activities		<u>\$ (185,297)</u>
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GARDEN CITY RECREATION COMMISSION
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenue:				
City appropriation	\$ 885,000	\$ 1,025,000	\$ 1,036,250	\$ 11,250
County liquor tax monies	5,000	5,000	5,000	-
Other receipts:	-			
Interest income	15,000	15,000	1,547	(13,453)
Rents	10,500	10,500	16,160	5,660
Fees	422,000	282,000	347,460	65,460
Concessions	70,000	70,000	75,084	5,084
Donations and grants	159,500	159,500	177,622	18,122
Miscellaneous	5,000	5,000	5,324	324
Transfers	13,500	13,500	-	(13,500)
Total revenue	1,585,500	1,585,500	1,664,447	78,947
Expenditures:				
Purchases	30,000	30,000	31,811	(1,811)
Labor	1,061,367	1,061,367	1,016,571	44,796
Travel	6,000	6,000	-	6,000
Insurance	28,004	28,004	15,629	12,375
Utilities	23,000	23,000	21,144	1,856
Publicity	29,500	29,500	22,614	6,886
Repairs and maintenance	82,574	82,574	33,818	48,756
Services and dues	39,500	39,500	41,224	(1,724)
Staff development	20,000	20,000	33,024	(13,024)
Rent	8,806	8,806	4,132	4,674
Supplies	278,000	278,000	291,157	(13,157)
Equipment and capital projects	420,452	420,452	253,457	166,995
Other	88,302	88,302	-	88,302
Transfers	2,000	2,000	-	2,000
Total expenditures	2,117,505	2,117,505	1,764,581	352,924
Revenue under expenditures	(532,005)	(532,005)	(100,134)	431,871
Fund balance, beginning of year	532,005	532,005	606,613	74,608
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 506,479</u>	<u>\$ 506,479</u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

GARDEN CITY RECREATION COMMISSION
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Employee Benefit Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenue:				
City appropriation - special	\$ 157,000	\$ 157,000	\$ 158,000	\$ 1,000
Miscellaneous	-	-	6,096	6,096
Total revenue	<u>157,000</u>	<u>157,000</u>	<u>164,096</u>	<u>7,096</u>
Expenditures:				
Payroll taxes	118,478	118,478	153,905	(35,427)
Insurance	94,000	94,000	129,447	(35,447)
Total expenditures	<u>212,478</u>	<u>212,478</u>	<u>283,352</u>	<u>(70,874)</u>
Revenue under expenditures	(55,478)	(55,478)	(119,256)	(63,778)
Fund balance, beginning of year	<u>55,478</u>	<u>55,478</u>	<u>(7,873)</u>	<u>(63,351)</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (127,129)</u>	<u>\$ (127,129)</u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

**Notes to the
Financial Statements**

GARDEN CITY RECREATION COMMISSION
Notes to Financial Statements
December 31, 2012

1. Summary of Significant Accounting Policies

The Garden City Recreation Commission is a component unit of the City of Garden City, Kansas, and operates under an appointed board. The Commission provides recreational activities for the community.

The financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Commission's accounting policies are described below.

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

B. Reporting Entity

The Commission is governed by an appointed five-member board. The accompanying financial statements present the Commission (a component unit of the City of Garden City, Kansas). The Commission has no organizations, functions or activities which are considered component units of the Commission.

C. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, when applicable, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the Commission's funds, including its fiduciary funds and blended component units. Separate statements for each fund category - governmental, proprietary, and fiduciary, when applicable, - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

GARDEN CITY RECREATION COMMISSION
Notes to Financial Statements
December 31, 2012

1. Summary of Significant Accounting Policies (continued)

D. Basis of Presentation – Fund Financial Statements Presentation (continued)

The Garden City Recreation Commission reports the following major governmental funds:

General Fund - the General Fund is the Commission's primary operating fund. It accounts for all financial transactions of the general government, except those required to be accounted for in another fund.

Employee Benefit Fund - the Employee Benefit Fund accounts for the costs of various benefits provided to the Commission's employees and other insurance costs of the Commission.

During the course of operations the Commission has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

GARDEN CITY RECREATION COMMISSION
Notes to Financial Statements
December 31, 2012

1. Summary of Significant Accounting Policies (continued)

E. Measurement Focus and Basis of Accounting (continued)

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period. Property taxes and special assessments are not available as explained in Note 1, item G and result in unavailable revenue. All other revenue items are considered measurable and available only when cash is received by the Commission.

F. 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, enterprise funds, and internal service funds. 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 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 legal level of budgetary control is the fund level. 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 adopted budget of expenditures of individual funds. The governing body allows management to transfer budgeted amounts between line items within an individual fund without prior approval. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

GARDEN CITY RECREATION COMMISSION
Notes to Financial Statements
December 31, 2012

1. Summary of Significant Accounting Policies (continued)

F. Budgetary Information (continued)

Budgetary Basis of Accounting

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 measurable and available. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments by the Commission for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Encumbrances also represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because commitments will be honored in the subsequent year. All unencumbered appropriations (legal budget expenditure authority) lapse at year end.

Excess of Expenditures over Appropriations

Under Kansas statutes, expenditures are mandated to be controlled, so that no indebtedness is created in excess of budgeted limits. At December 31, 2012, the Employee Benefit fund exceeded its legal budget by \$70,874.

Budgetary Compliance – Non-GAAP Financial Statements

By statute, the Commission prepares its annual budget on a non-GAAP basis of accounting as described above. A reconciliation of these budgetary basis statements to the GAAP statements is as follows:

	General Fund	Employee Benefit Fund
Expenditures (budgetary basis)	\$ 1,764,581	\$ 283,352
Capital lease proceeds	42,083	-
Expenditures (GAAP basis)	\$ 1,806,664	\$ 283,352

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Cash and Cash Equivalents

The Commission's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Deposits and Investments

Cash resources of the individual funds are combined to form a pool of cash and investments which is managed by the Office Manager. Cash includes amounts in demand deposits. Investments of the pooled accounts consist of certificates of deposit and money market investments backed by U.S. government securities. Interest income earned is allocated among funds based on average monthly cash balances and in accordance with the adopted budget.

GARDEN CITY RECREATION COMMISSION
Notes to Financial Statements
December 31, 2012

1. Summary of Significant Accounting Policies (continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance
(continued)

Deposits and Investments (continued)

State statutes authorize the Commission to invest idle funds in U.S. government securities, temporary notes, no-fund warrants, repurchase agreements and the Kansas Municipal Investment Pool. The Kansas Municipal Investment Pool operates in accordance with appropriate State laws and regulations. The reported value of the investment in the Kansas Municipal Investment Pool is the same as the fair value of its pool shares. Other investments of the Commission are stated at fair value, which equals cost.

Inventories and Prepaid Items

Inventories of governmental funds are recorded as expenditures when purchased. The Commission deems inventory as immaterial to the financial statements. No capitalization or amortization has been recorded in the financial statements.

Certain payments to vendors reflect costs applicable to future accounting periods. Prepaid items of governmental funds are recorded as expenditures when paid. The prepaid items are capitalized and amortized in the government-wide financial statements.

Capital Assets

Capital assets, which include building improvements and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the Commission as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of three years.

All such assets that are purchased or constructed are valued at historical cost where records are available and at an estimated historical cost where no such records exist. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Building improvements and equipment of the Commission are depreciated using the straight-line method, with one-half month's depreciation in the month of acquisition, over the following estimated useful lives:

Building improvements	10-20 years
Equipment	3-15 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

GARDEN CITY RECREATION COMMISSION
Notes to Financial Statements
December 31, 2012

1. Summary of Significant Accounting Policies (continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance
(continued)

Net Position Flow Assumption

Sometimes the Commission will fund outlays for a particular purpose from both restricted (e.g., grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Commission's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumptions

Sometimes the Commission will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Commission's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Commission itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Commission's highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the Commission that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Commission for specific purposes but do not meet the criteria to be classified as committed. The Commission's Board has by resolution authorized the Finance Director to assign fund balance. The Board of Directors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

GARDEN CITY RECREATION COMMISSION
Notes to Financial Statements
December 31, 2012

1. Summary of Significant Accounting Policies (continued)

H. Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis, are levied and become a lien on the property on November 1st of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20th during the year levied with the balance to be paid on or before May 10th of the ensuing year. State statutes prohibit the County Treasurer from distributing the taxes collected in the year levied prior to January 1st of the ensuing year. Consequently, for revenue recognition purposes, taxes levied during the current year are not due and receivable until the ensuing year. Delinquent taxes held by the County Treasurer at December 31, 2012, are not significant.

Compensated Absences

Vacation

The Commission's policy regarding vacation leave pay permits employees to accumulate leave days at a maximum rate of 18 days per year up to 40 days. Vacation leave pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The Commission has estimated the value of accrued vacation leave pay at December 31, 2012, to be \$50,945.

Sick Leave

The Commission's policy regarding sick leave pay permits employees to accumulate sick leave days at a maximum rate of 12 days per year up to 60 days. Leave may be used for sick leave, bereavement leave and personal leave. The Commission's policy is to recognize the costs of sick leave when actually paid since employees are not reimbursed for unused sick leave when they leave the Commission's employ.

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GARDEN CITY RECREATION COMMISSION
Notes to Financial Statements
December 31, 2012

2. Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of this \$380,627 are as follows:

Buildings and improvements	\$ 60,397
Equipment	887,526
Less accumulated depreciation	<u>(567,296)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 380,627</u>

3. Stewardship, Compliance and Accountability

A. Compliance with Kansas Statutes

References made herein to the statutes are not intended as interpretation of law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the County Attorney and the legal representative of the Commission. A budget violation was noted as discussed in Note 1F. In addition, the following violation was noted:

- A deficit cash balance per Kansas statutes 10-1113 and 10-1121 occurred in the Employee Benefit fund at December 31, 2012, due to the expending of monies in excess of available cash by \$127,129.

B. Deficit Fund Equity

The Employee Benefit special revenue fund had a deficit fund balance of \$127,129 as of December 31, 2012. The fund received less revenues than anticipated.

4. Detailed Notes on All Activities and Funds

A. Cash and Investments

A reconciliation of cash and investments as shown on the government-wide statement of net assets follows:

Cash	<u>\$ 430,550</u>
Carrying amount of deposits	<u>\$ 430,550</u>

GARDEN CITY RECREATION COMMISSION
Notes to Financial Statements
December 31, 2012

4. Detailed Notes on All Activities and Funds (continued)

A. Cash and Investments (continued)

Cash Deposits with Financial Institutions

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. State statutes require the Commission's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Commission has no designated "peak periods".

At December 31, 2012, the Commission's carrying amount of deposits was \$430,550 and the bank balance was \$454,961. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$349,188 was covered by federal depository insurance, and the balance of \$105,773 was collateralized with securities held by the pledging financial institutions' agents in the Commission's name.

Investments

Credit and Interest Rate Risks

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

K.S.A. 12-1675 limits the Commission's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Commission has no investment policy that would further limit its investment choices.

At year end, the Garden City Recreation Commission had no investments of this type.

Concentration of Credit Risk

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

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

GARDEN CITY RECREATION COMMISSION
Notes to Financial Statements
December 31, 2012

4. Detailed Notes on All Activities and Funds (continued)

B. Capital Assets

Capital asset activity for the primary government for the year ended December 31, 2012, was as follows:

	Balance 01-01-12	Additions	Deductions	Balance 12-31-12
Governmental activities:				
Capital assets being depreciated:				
Buildings and improvements	\$ 61,241	\$ 24,234	\$ 25,078	\$ 60,397
Equipment	832,030	161,971	106,475	887,526
Total capital assets being depreciated	893,271	186,205	131,553	947,923
Less accumulated depreciation for:				
Buildings and improvements	28,991	7,268	10,211	26,048
Equipment	513,982	109,211	81,945	541,248
Total accumulated depreciation	542,973	116,479	92,156	567,296
Governmental activities capital assets, net	\$ 350,298	\$ 69,726	\$ 39,397	\$ 380,627

Depreciation expense of \$116,479 was charged to the parks and recreation functions/programs at December 31, 2012.

C. Kansas Public Employees Retirement System

Plan description

The Garden City 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 up to 6% 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 reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by statute for calendar year 2012 is 8.34%. The Garden City Recreation Commission contributions to KPERS for the years ending December 31, 2012, 2011, and 2010, were \$57,876, \$46,767, and \$45,031, respectively, equal to the statutory required contributions for each year.

GARDEN CITY RECREATION COMMISSION
Notes to Financial Statements
December 31, 2012

4. Detailed Notes on All Activities and Funds (continued)

D. Commitments

The Recreation Commission is party to a lease with the City of Garden City, Kansas, for property located south of the Recreation Commission's building. The term of the lease is for five years. The lease is for the sum of \$134,200 to be paid in five equal annual installments of \$20,000 beginning July, 2013, with a down payment made in July, 2012. Total lease payment for 2012 was \$34,200.

E. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

F. Lease Obligations

Capital Leases

The Commission has entered into various lease agreements to finance the acquisition of equipment. These leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of inception.

The following is a summary of assets acquired through these capital lease agreements by the Commission at December 31, 2012:

	Governmental Activities
Equipment	\$ 122,042
Less accumulated depreciation	(35,198)
Total	\$ 86,844

Interest expense paid under lease agreements for the year 2012 totaled \$2,931.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2012, are as follows:

	Governmental Activities
2013	\$ 30,142
2014	22,308
2015	7,865
2016	7,865
Total minimum lease payments	68,180
Less amount representing interest	(4,021)
Present value of future minimum lease payments	\$ 64,159

GARDEN CITY RECREATION COMMISSION
Notes to Financial Statements
December 31, 2012

4. Detailed Notes on All Activities and Funds (continued)

G. Long-Term Liabilities

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities of the Commission for the year ended December 31, 2012:

	Balance 01-01-12	Additions	Retired	Balance 12-31-12	Due Within One Year
Governmental activities:					
Capital leases	\$ 75,701	\$ 42,083	\$ 53,625	\$ 64,159	\$ 28,054
Compensated absences	42,817	39,380	31,252	50,945	25,240
Total governmental activities long-term liabilities	\$ 118,518	\$ 81,463	\$ 84,877	\$ 115,104	\$ 53,294

H. Subsequent Events

Subsequent to year end the Commission approved the purchase a Risco Graph machine totaling \$16,000.

Supplementary Information

The Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Garden City Recreation Commission.

GARDEN CITY RECREATION COMMISSION
Composition of Cash Balance
December 31, 2012

Commerce Bank, Garden City, Kansas		
Checking	\$ 99,188	
Plus deposits in transit	174	
Less outstanding checks	<u>(24,585)</u>	
Total cash in checking		\$ 74,777
Savings and certificates of deposit		<u>355,773</u>
Total cash		<u>\$ 430,550</u>

GARDEN CITY RECREATION COMMISSION
Schedule of Revenue and Expenditures by Departments -
General Fund
For the Year Ended December 31, 2012

	<u>Administration</u>	<u>Arts</u>	<u>Capital</u>	<u>Concessions</u>
Revenue:				
City appropriation	\$ 465,324	\$ -	\$ 97,382	\$ -
County liquor tax monies	-	2,750	-	-
Other receipts:				
Interest income	1,547	-	-	-
Fees	900	50,597	-	-
Rents	-	825	-	-
Concessions	-	-	-	75,084
Donations and grants	-	17,632	10,000	-
Departmental transfers in	-	1,136	-	-
Miscellaneous	2,419	747	-	79
	<u>470,190</u>	<u>73,687</u>	<u>107,382</u>	<u>75,163</u>
Total revenue				
Expenditures:				
Purchases	-	-	-	31,811
Labor	385,762	18,891	-	26,545
Insurance	5,404	-	-	-
Utilities	8,590	-	-	450
Publicity	15,440	4,775	-	-
Repairs and maintenance	339	436	5,200	586
Services and dues	17,275	9,770	-	-
Staff development	13,962	7,800	-	-
Rent	-	2,588	-	-
Supplies	56,859	18,430	16,155	3,620
Equipment and capital projects	4,944	5	188,263	322
Departmental transfers out	-	740	-	396
	<u>508,575</u>	<u>63,435</u>	<u>209,618</u>	<u>63,730</u>
Total expenditures				
Revenue over (under) expenditures				
	<u>\$ (38,385)</u>	<u>\$ 10,252</u>	<u>\$ (102,236)</u>	<u>\$ 11,433</u>

Maintenance	Sports	Wellness Center	Pool	Eliminations	Totals
\$ 333,544	\$ -	\$ -	\$ 140,000	\$ -	\$ 1,036,250
-	2,250	-	-	-	5,000
-	-	-	-	-	1,547
7,610	114,262	118,344	55,747	-	347,460
15,335	-	-	-	-	16,160
-	-	-	-	-	75,084
-	109,081	40,609	300	-	177,622
-	-	1,500	-	(2,636)	-
206	1,855	18	-	-	5,324
<u>356,695</u>	<u>227,448</u>	<u>160,471</u>	<u>196,047</u>	<u>(2,636)</u>	<u>1,664,447</u>
-	-	-	-	-	31,811
200,170	154,447	105,421	125,335	-	1,016,571
9,799	426	-	-	-	15,629
7,984	1,796	2,036	288	-	21,144
198	-	1,750	451	-	22,614
36,161	-	447	(9,351)	-	33,818
555	12,873	190	561	-	41,224
790	5,806	2,587	2,079	-	33,024
888	-	599	57	-	4,132
64,824	52,527	15,053	63,689	-	291,157
6,402	-	17,453	36,068	-	253,457
-	-	1,500	-	(2,636)	-
<u>327,771</u>	<u>227,875</u>	<u>147,036</u>	<u>219,177</u>	<u>(2,636)</u>	<u>1,764,581</u>
<u>\$ 28,924</u>	<u>\$ (427)</u>	<u>\$ 13,435</u>	<u>\$ (23,130)</u>	<u>\$ -</u>	<u>\$ (100,134)</u>