



MIZE & HOUSER
COMPANY P.A.

January 7, 2013

Jason Goin
Spring Hill Recreation Commission
401 North Madison Street, Room 18
P.O. Box 26
Spring Hill, KS 66083

Dear Jason,

Please review the enclosed draft of Spring Hill Recreation Commission's audited financial statements for the year ended June 30, 2012. Let me know if you have any questions or changes. If you accept this draft as it is presented herein, please sign below and return this letter.

Thank you for the opportunity to be of service to your Organization.

Cordially,


Audrey M. Odermann, CPA

RESPONSE:

I accept the draft of the June 30, 2012 audited financial statements herein enclosed as ready for final.

Signature

Name (Printed)

Title

Date

www.mizehouser.com ■ mhco@mizehouser.com

534 S Kansas Ave, Suite 700 ■ Topeka, KS 66603-3465 ■ 785.233.0536 p ■ 785.233.1078 f
534 S Kansas Ave, Suite 400 ■ Topeka, KS 66603-3454 ■ 785.234.5573 p ■ 785.234.1037 f
7101 College Blvd, Suite 900 ■ Overland Park, KS 66210-1984 ■ 913.451.1882 p ■ 913.451.2211 f
120 E Ninth ■ Lawrence, KS 66044-2682 ■ 785.842.8844 p ■ 785.842.9049 f
900 Massachusetts, Suite 301 ■ Lawrence, KS 66044-2868 ■ 785.749.5050 p ■ 785.749.5061 f

**PRELIMINARY
DRAFT**

SPRING HILL RECREATION COMMISSION

Spring Hill, Kansas

Financial Statements

For the Year Ended June 30, 2012

SPRING HILL RECREATION COMMISSION
SPRING HILL, KANSAS

Financial Statements
For the Year Ended June 30, 2012

**PRELIMINARY
DRAFT**

Table of Contents

	<u>Page Number</u>
INTRODUCTORY SECTION	
Table of Contents	i
FINANCIAL SECTION	
Independent Auditor's Report on the Financial Statements	1 - 2
Summary of Cash Receipts, Expenditures and Unencumbered Cash	3
Notes to the Financial Statements	4 - 6
Schedule 1 Summary of Expenditures - Actual and Budget	7
Schedule 2 Schedule of Cash Receipts and Expenditures - Actual and Budget or Actual Only	
General Fund	8
Program Fund	9



MIZE & HOUSER
COMPANY P.A.

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS **PRELIMINARY
DRAFT**

Spring Hill Recreation Commission
Spring Hill, Kansas

We have audited the summary statement of cash receipts, expenditures, and unencumbered cash balances of Spring Hill Recreation Commission, a related municipal entity of the Spring Hill Unified School District No. 230, Spring Hill, Kansas, as of and for the year ended June 30, 2012. This financial statement is the responsibility of the Recreation Commission's management. Our responsibility is to express an opinion on the financial statement based on our audit. The prior year partial comparative information has been derived from the Commission's financial statements for the year ended June 30, 2011. In our report, dated January 20, 2012, on those financial statements, we expressed an adverse opinion as to presentation on the basis of generally accepted accounting principles and an unqualified opinion as to presentation on the Kansas prescribed basis of accounting.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the "Kansas Municipal Audit Guide." Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation. We believe that our audit provides a reasonable basis for our opinion.

As disclosed in Note 1, the Spring Hill Recreation Commission prepares 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 variance between these statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonable 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 Spring Hill Recreation Commission, Spring Hill, Kansas, as of June 30, 2012, or the respective changes in the financial position and changes in cash flows, where applicable, for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Spring Hill 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.

The financial statements include partial prior-year comparative information. Such information does not include all of the information required for a presentation in conformity with the Kansas prescribed basis of accounting. Accordingly, such information should be read in conjunction with the Commission's financial statements for the year ended June 30, 2011, from which such partial information was derived.

www.mizehouser.com ■ mhco@mizehouser.com

534 S Kansas Ave, Suite 700 ■ Topeka, KS 66603-3465 ■ 785.233.0536 p ■ 785.233.1078 f

534 S Kansas Ave, Suite 400 ■ Topeka, KS 66603-3454 ■ 785.234.5573 p ■ 785.234.1037 f

7101 College Blvd, Suite 900 ■ Overland Park, KS 66210-1984 ■ 913.451.1882 p ■ 913.451.2211 f

211 E Elgth Suite A ■ Lawrence, KS 66044-2771 ■ 785.842.8844 p ■ 785.842.9049 f

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

King, Houser & Company

January 7, 2013

**PRELIMINARY
DRAFT**

SPRING HILL RECREATION COMMISSION
SPRING HILL, KANSAS

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

**PRELIMINARY
DRAFT**

<u>Fund</u>	Beginning Unencumbered Cash <u>Balance</u>	Cash <u>Receipts</u>	<u>Expenditures</u>	Ending Unencumbered Cash <u>Balance</u>	Add: Outstanding Encumbrances and Accounts <u>Payable</u>	Ending Cash <u>Balance</u>
Governmental Type Funds:						
General Fund						
General	\$ 285,061	\$ 317,788	\$ 326,708	\$ 276,140	\$ -	\$ 276,140
Special Purpose Fund:						
Program	<u>67,753</u>	<u>109,010</u>	<u>122,768</u>	<u>53,996</u>	<u>-</u>	<u>53,996</u>
Total	<u>\$ 352,814</u>	<u>\$ 426,798</u>	<u>\$ 449,476</u>	<u>\$ 330,136</u>	<u>\$ -</u>	<u>\$ 330,136</u>

Composition of Cash

State Bank of Spring Hill	\$ 276,140
Operations Checking	
Program Checking	<u>53,996</u>
Total Cash	<u>\$ 330,136</u>

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

SPRING HILL RECREATION COMMISSION

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

**PRELIMINARY
DRAFT**

NOTE 1 - Summary of Significant Accounting Policies

Reporting Entity

Spring Hill Recreation Commission (the Commission) is a related municipal entity of Unified School District No. 230 (the District). The Commission oversees recreational activities. The District levies a tax and distributes these monies to the Commission. The five members of the governing body are appointed as follows: two by the District, two by the City of Spring Hill and one at large member appointed by the other members. The Commission can sue and be sued, but acquisition of real property by the Commission must be approved by the District. The District must approve bond issuances. The Commission has no component units.

Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The *Kansas Municipal Audit and Accounting Guide (KMAAG)* 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 KMAAG 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

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 Purpose Funds - 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.

SPRING HILL RECREATION COMMISSION

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

**PRELIMINARY
DRAFT**

NOTE 1 - Summary of Significant Accounting Policies (Continued)

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 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. A legal operating budget is not required for the Program Fund.

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 District, 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

The Recreation Commission's cash is considered to be active funds by management and is invested according to K.S.A. 9-1401. The statute requires that bank's eligible to hold active funds have a main or branch bank in the county or adjacent to the county in which the Recreation Commission is located and that the bank(s) provide an acceptable rate of active funds, and that the deposits in excess of FDIC coverage be adequately secured per K.S.A. 9-1402. The Recreation Commission does not have any formal deposit policies that would further limit interest rate, credit or custodial credit risks beyond state statutes.

SPRING HILL RECREATION COMMISSION

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

**PRELIMINARY
DRAFT**

NOTE 3 - Compensated Absences

The Recreation Commission's policy regarding sick pay is to grant personnel sick leave at 12 days a year. Compensation is paid out for unused sick days at termination at the employee's current rate of pay times 20% of the sick days accumulated. The Recreation Commission allows vacation leave at 10 days per year. After five years of service, vacation leave increases to 15 days per year. Unused vacation days are paid out in full to terminated employees. The Recreation Commission's estimated liability for compensated absences as of June 30, 2012 was \$8,246.

NOTE 4 - Retirement Plan

Plan Description. The District 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 66603-3803) or by calling 1-888-275-5737.

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 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 District employees for the years ending June 30, 2012, 2011 and 2010 were \$12,277, \$10,109 and \$8,485, respectively, equal to the required contributions for the year.

NOTE 5 - Risk Management

The Recreation 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. The Recreation Commission carries commercial insurance for risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

SPRING HILL RECREATION COMMISSION
 SPRING HILL, KANSAS

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

**PRELIMINARY
 DRAFT**

<u>Fund</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year Budget</u>	<u>Variance Over [Under]</u>
Governmental Type Funds:					
General Funds					
General	\$ 595,500	\$ -	\$ 595,500	\$ 326,708	\$ 268,792

See independent auditor's report on the financial statements.

SPRING HILL RECREATION COMMISSION
SPRING HILL, KANSAS

Schedule of Cash Receipts and Expenditures - Actual and Budget
General Fund
Regulatory Basis
For the Year Ended June 30, 2012
(With Comparative Actual Amounts For the Year Ended June 30, 2011)

**PRELIMINARY
DRAFT**

	Prior Year Actual	Current Year		Variance Over [Under]
		Actual	Budget	
Cash Receipts				
Ad valorem tax	\$ 281,072	\$ 286,499	\$ 268,988	\$ 17,511
Delinquent tax	7,976	875	3,438	[2,563]
Motor vehicle tax	28,621	30,036	29,056	980
Interest income	614	378	625	[247]
Miscellaneous income	1,450	-	55,000	[55,000]
Total Cash Receipts	319,733	317,788	\$ 357,107	\$ [39,319]
Expenditures				
Salaries	160,338	157,726	\$ 160,000	\$ 2,274
Fringe benefits and payroll taxes	46,052	54,465	54,790	325
Membership dues and fees	1,034	2,998	1,350	[1,648]
Playground and ball field maintenance	62,262	40,219	97,200	56,981
Advertising	488	1,753	500	[1,253]
Capital outlay for equipment	835	10,613	42,010	31,397
Insurance	10,016	10,352	15,000	4,648
Office and administrative expense	23,593	22,822	32,050	9,228
Software services and computer maintenance	5,811	5,574	3,150	[2,424]
Conferences, training and travel	11,058	11,529	5,750	[5,779]
Professional fees	2,504	4,129	7,100	2,971
Miscellaneous expenses	5,643	4,529	5,500	972
Cash reserve	-	-	171,100	171,100
Total Expenditures	329,634	326,708	\$ 595,500	\$ 268,792
Receipts Over [Under] Expenditures	[9,901]	[8,920]		
Unencumbered Cash, Beginning	294,962	285,061		
Unencumbered Cash, Ending	\$ 285,061	\$ 276,140		

See independent auditor's report on the financial statements.

SPRING HILL RECREATION COMMISSION
SPRING HILL, KANSAS

Schedule of Cash Receipts and Expenditures - Actual
Program Fund*
Regulatory Basis
For the Years Ended June 30, 2012 and 2011

**PRELIMINARY
DRAFT**

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Fees	\$ 118,394	\$ 104,790
Sponsorships	<u>4,099</u>	<u>4,220</u>
Total Cash Receipts	<u>122,493</u>	<u>109,010</u>
Expenditures		
Direct program costs	<u>127,245</u>	<u>122,768</u>
Total Expenditures	<u>127,245</u>	<u>122,768</u>
Receipts Over [Under] Expenditures	[4,752]	[13,758]
Unencumbered Cash, Beginning	<u>72,505</u>	<u>67,753</u>
Unencumbered Cash, Ending	<u>\$ 67,753</u>	<u>\$ 53,996</u>

* This fund is not required to be budgeted.



MIZE & HOUSER
COMPANY, P.A.

PRELIMINARY DRAFT

Spring Hill Recreation Commission
Spring Hill, Kansas

In planning and performing our audit of the financial statements of Spring Hill Recreation Commission, Spring Hill, Kansas, as of and for the year ended June 30, 2012, we considered the Commission's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated January 7, 2013, on the financial statements of Spring Hill Recreation Commission, Spring Hill, Kansas.

We will review the status of these comments during our next audit engagement. We have already discussed the comments with various District personnel, and we will be pleased to discuss the comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

1. During review of the Commission minutes we noted that the financial reports are periodically approved "subject to audit." We recommend that the financial reports submitted to the Commission for approval include bank statements, bank reconciliations, and check registers so that commissioners can identify potential issues as they arise.
2. During the testing of twelve credit card transactions, we noted that four receipts could not be located. We recommend that all credit card receipts be retained by the Recreation Commission.

This report is intended solely for the information and use of the Commission and administration and should not be used by anyone other than these specified parties.

January 7, 2013