SATANTA RECREATION COMMISSION
SATANTA, KANSAS

FINANCIAL STATEMENT
with
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2014

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INDEPENDENT AUDITOR'S REPORT

Satanta Recreation Commission
Satanta, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Satanta Recreation Commission and its related municipal entity as described in Note A, which is a related municipal entity of Unified School District No. 507, as of and for the year ended June 30, 2014 and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note A to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

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

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note A, the financial statement is prepared by the Satanta Recreation Commission to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United State of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note A and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" 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 Satanta Recreation Commission as of June 30, 2014, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balances of the Satanta Recreation Commission as of June 30, 2014, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note A.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures – actual and budget, individual fund schedule of regulatory basis receipts and expenditures – actual and budget, and the schedule of regulatory basis receipts and expenditures - related municipal entity (Schedules 1, 2 and 3 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. 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 basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic 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 basic financial statement as a whole, on the basis of accounting described in Note A.

The 2013 column presented in the individual fund schedules of regulatory basis receipts and expenditures (Schedules 2 and 3 as listed in the table of contents) upon which we rendered an unmodified opinion dated January 20, 2014 is also presented for comparative analysis and is not a required part of the 2014 basic financial statement. The 2013 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration, at the following link http://da.ks.gov/ar/muniserv/. Such 2013 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2013 basic financial statement. The 2013 comparative information was subjected to the auditing procedures applied in the audit of the 2013 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2013 basic financial statement or to the 2013 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2013 comparative information is fairly stated in all material respects in relation to the 2013 basic financial statement as a whole, on the basis of accounting described in Note A.

Kennedy McKee & Company LLP

March 5, 2015

SATANTA RECREATION COMMISSION
SATANTA, KANSAS

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH REGULATORY BASIS

For the Year Ended June 30, 2014

	Satanta Recreation Commission	Related Municipal Entity Cimarron Valley Golf Association	Total
Unencumbered cash, beginning of year	$ 423,984	$ 3,124	$ 427,108
Receipts	206,854	149,046	355,900
Expenditures	(225,728)	(100,053)	(325,781)
Unencumbered cash, end of year	405,110	52,117	457,227
Add encumbrances and accounts payable	-	2,001	2,001
Cash balance, end of year	$ 405,110	$ 54,118	$ 459,228
Composition of cash:			
Checking	$ 2,234	$ 2,235	$ 4,469
Money market	401,876	51,883	453,759
Petty cash	1,000	-	1,000
	$ 405,110	$ 54,118	$ 459,228

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

SATANTA RECREATION COMMISSION
SATANTA, KANSAS

NOTES TO THE FINANCIAL STATEMENT

June 30, 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies applied in the preparation of the accompanying financial statement is presented to assist in understanding the Commission's financial statement. The financial statement, schedules, and notes are representations of the Commission's management, which is responsible for their integrity and objectivity.

1. Municipal Financial Reporting Entity

The Satanta Recreation Commission is a related municipal entity of Unified School District No. 507. Four of the five members of the governing board are appointed by the Board of Education. The Commission operates as a separate governing body but the District levies the taxes for the Commission and the Commission has only the powers granted by statute K.S.A. 12-1928. The Commission cannot purchase real property but can acquire real property by gift. The financial information of the Commission is presented in the financial statement of the District.

Cimarron Valley Golf Association. The Cimarron Valley Golf Association is a related municipal entity of the Satanta Recreation Commission. The Association manages the golf course. The Association elects all seven of its Board of Directors. The Association operates as a separate governing body, but receives a significant portion of its receipts from the Recreation Commission. The Association can sue and be sued, and enter into contracts and lease agreements for real and personal property.

2. Basis of Presentation - Fund Accounting

The accounts of the Commission are organized and operated on the basis of funds. In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. A general fund is used to account for all financial transactions of the Commission.

3. 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, 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 receipts 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.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUTED)

3. Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America (Continued)

The Commission has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Commission to use the statutory basis of accounting.

4. Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in adoption of the legal annual operating budget:

a. Preparation of the budget for the succeeding fiscal year on or before July 1st.

b. Publication in local newspaper on or before July 10th of the proposed budget and notice of public hearing on the budget.

c. Public hearing on or before July 20th, but at least ten days after publication of notice of hearing.

d. Certify (submit) the adopted budget to the Unified School District Clerk and County Clerk.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in receipts other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments during the current year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures. A budget comparison schedule is presented for the general fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

The legal annual operating budget is prepared using the regulatory basis of accounting, in which receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

B. DEPOSITS AND INVESTMENTS

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 to 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.

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. All deposits were legally secured at June 30, 2014.

At June 30, 2014, the Commission's carrying amount of deposits was $405,110 and the bank balance was $405,305. Of the bank balance, $250,000 was covered by FDIC insurance, and $155,305 was collateralized with securities held by the pledging financial institutions' agents in the Commission's name.

C. 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. The Commission purchases commercial insurance to cover property, liability, and workers' compensation claims. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in any of the past three years.

D. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 5, 2015, the date on which the financial statement was available to be used. Management's evaluation concluded that there are no subsequent events that are required to be recognized or disclosed in this financial statement.

REGULATORY-REQUIRED SUPPLEMENTARY INFORMATION

Schedule 1

SATANTA RECREATION COMMISSION
SATANTA, KANSAS

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended June 30, 2014

Fund	Certified budget	Adjustment to comply with legal maximum budget	Total budget for comparison	Expenditures chargeable to current year	Variance favorable (unfavorable)
Recreation Commission:					
General fund	$ 515,707	$ -	$ 515,707	$ 225,728	$ 289,979

See Independent Auditor's Report.

SATANTA RECREATION COMMISSION
SATANTA, KANSAS

GENERAL FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended June 30, 2014
(With Comparative Actual Totals for the Prior Year Ended June 30, 2013)

		2014		
	2013	Actual	Budget	Variance favorable (unfavorable)
Receipts:				
Appropriations from U.S.D. 507:				
Recreation Commission	$ 150,161	$ 133,808	$ 131,413	$ 2,395
Golf Course	75,080	66,904	65,707	1,197
Interest	957	877	800	77
Donations	40	1,300	1,500	(200)
Miscellaneous	3,048	3,965	4,000	(35)
Grants	9,500	-	1,000	(1,000)
Total receipts	238,786	206,854	$ 204,420	$ 2,434
Expenditures:				
Salaries	60,011	63,328	$ 80,000	$ 16,672
Programs	27,961	55,794	100,000	44,206
Equipment and improvements	41,758	7,592	200,000	192,408
Utilities	10,722	11,595	15,000	3,405
Miscellaneous	14,669	16,513	25,000	8,487
Golf course	75,080	70,906	95,707	24,801
Total expenditures	230,201	225,728	$ 515,707	$ 289,979
Receipts over (under) expenditures	8,585	(18,874)		
Unencumbered cash, beginning of year	415,399	423,984	$ 449,783	$ (25,799)
Unencumbered cash, end of year	$ 423,984	$ 405,110	$ 138,496	$ 266,614

See Independent Auditor's Report.

SATANTA RECREATION COMMISSION
SATANTA, KANSAS

CIMARRON VALLEY GOLF ASSOCIATION
(A RELATED MUNICIPAL ENTITY)

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the Year Ended June 30, 2014
(With Comparative Actual Totals for the Prior Year Ended June 30, 2013)

	2013	2014
Receipts:		
Appropriation from Satanta Recreation Commission	$ 78,086	$ 99,393
Charges for services	45,425	47,136
Donations	21,546	2,439
Interest	30	78
Total receipts	145,087	149,046
Expenditures:		
Personal services	46,822	28,672
Commodities	20,428	12,236
Contractual services	63,429	50,016
Capital outlay	8,667	9,129
Total expenditures	139,346	100,053
Receipts over (under) expenditures	5,741	48,993
Unencumbered cash, beginning of year	(2,617)	3,124
Unencumbered cash, end of year	$ 3,124	$ 52,117

See Independent Auditor's Report.