CANEY VALLEY RECREATION COMMISSION

AUDIT REPORT

June 30, 2015

CANEY VALLEY RECREATION COMMISSION

CANEY, KANSAS

For the Fiscal Year Ended June 30, 2015

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INDEPENDENT AUDITORS' REPORT

Caney Valley Recreation Commission
401 E. 1st St.
Caney, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Caney Valley Recreation Commission, Caney, Kansas, as of and for the year ended June 30, 2015 and the related notes to the financial statement.

Management's Responsibility for the Financial Statements
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 1 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.

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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 1 of the financial statement, the financial statement is prepared by the 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 States of America.

The effects on the financial statement of the variance between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonable 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 Recreation Commission as of June 30, 2015, or change 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 above presents fairly, in all material respects, the aggregate cash and unencumbered cash balances of each of the individual funds of Caney Valley Recreation Commission, Caney, Kansas, as of June 30, 2015, 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 1.

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, and individual fund schedules of regulatory basis 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 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 1.

The June 30, 2014 Actual column presented in the individual fund schedules of regulatory basis receipts and expenditures—actual and budget (Schedule 2 as listed in the table of contents) is also

presented for comparative analysis and is not a required part of the June 30, 2015 basic financial statement upon which we rendered an unmodified opinion dated January 28, 2016. The June 30, 2014 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the website of the Kansas Department of Administration at the following link http://da.ks.gov/ar/muniserv/. Such 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 June 30, 2014 basic financial statement. The June 30, 2014 comparative information was subjected to the auditing procedures applied in the audit of the June 30, 2014 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 June 30, 2014 basic financial statement or to the June 30, 2014 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 June 30, 2014 comparative information is fairly stated in all material respects in relation to the June 30, 2014 basic financial statement as a whole, on the basis of accounting described in Note 1.

Yerkes & Michels

YERKES & MICHELS, CPA, LLC
Independence, Kansas

January 28, 2016

STATEMENT 1

CANEY VALLEY RECREATION COMMISSION
CANEY, KANSAS

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH
REGULATORY BASIS

For the Fiscal Year Ended June 30, 2015

Fund	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
General Fund	$ 131,778.75	$ -	$ 159,706.62	$ 236,655.93	$ 54,829.44	$ 996.75	$ 55,826.19
Special Revenue Fund							
Employee Benefit Fund	6,687.21	-	5,135.85	5,441.62	6,381.44	759.75	7,141.19
Total Reporting Entity	$ 138,465.96	$ -	$ 164,842.47	$ 242,097.55	$ 61,210.88	$ 1,756.50	$ 62,967.38

Composition of Cash

Commercial Bank, Caney, KS		
Certificate of Deposit #91000111708404	$ 15,839.34	
Total Commercial Bank		15,839.34
Arvest Bank, Caney, KS		
Checking Account - Operating # 3824	$ 46,128.04	
Checking Account - Petty Cash # 306940	1,000.00	
Total Arvest Bank		47,128.04
Total		$ 62,967.38

THE NOTES TO THE FINANCIAL STATEMENT ARE AN INTEGRAL PART OF THIS STATEMENT.

NOTES TO THE FINANCIAL STATEMENT

CANEY VALLEY RECREATION COMMISSION
CANEY, KANSAS

NOTES TO THE FINANCIAL STATEMENT

June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1A. Municipal Financial Reporting Entity

The Caney Valley Recreation Commission is a municipal corporation governed by an appointed five-member board. The regulatory basis financial statements include the transactions of the primary government only. The Recreation Commission oversees recreational activities. The recreation commission operates as separate governing body but USD 436, Caney, Kansas levies the taxes for the recreation commission and the recreation commission has only the powers granted by statute, K.S.A. 12-1928. The recreation commission cannot purchase real property but can acquire real property by gift.

The Caney Valley Recreation Commission's Summary Statement of Cash Receipts, Expenditures, and Unencumbered Cash includes the accounts of all Caney Valley Recreation Commission operations. The Commission's major operations include providing recreation services. The scope of the entity for financial reporting purposes is defined as the funds for which the Commission has oversight responsibility and is primarily accountable. Oversight responsibility includes budgetary authority and fiscal management responsibility. Budgetary authority is defined as authority for final approval of budgetary appropriations and revisions. Fiscal management responsibility is control of the collection and disbursement of funds.

1B. Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The 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 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 Commission has approved a resolution to 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 regulatory basis of accounting.

CANEY VALLEY RECREATION COMMISSION
CANEY, KANSAS

NOTES TO THE FINANCIAL STATEMENT

June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

1C. Regulatory Basis Fund Types

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 Caney Valley Recreation Commission, Caney, Kansas, for the year ended June 30, 2015.

General Fund—the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose Fund – used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Projects and tax levies for long-term debt) that are intended for specified purposes.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2A. Budgetary Information

Kansas Statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business 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 on or before August 5th of the proposed budget and notice of public hearing on the budget.
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.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (cont)

2A. Budgetary Information (cont)

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 for the General Fund and the Employee Benefit Fund were amended during the year ended June 30, 2015.

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 schedules 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 regulatory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the 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.

Spending in funds which are not subject to the legal annual operating budget requirement are controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

2B. Compliance with Kansas Statutes and Other Finance Related Legal Matters

The expenditures from both the General and Employee Benefit Funds exceeded the amount budgeted. This is a violation of KSA 79-2935.

NOTE 3 - 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 have a main or branch bank in the county in which the Commission is located, or an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return

NOTE 3 - DEPOSITS AND INVESTMENTS (cont)

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.

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 – 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 designate "peak periods" when required coverage is 50%. All deposits were legally secured at June 30, 2015.

At June 30, 2015, the Commission's carrying amount of deposits was $62,967.38 and the bank balance was $56,737.06. The bank balance was held by 2 banks. Of the bank balance, $56,737.036 was covered by FDIC insurance.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the 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.

At June 30, 2015, the Commission had no investments.

NOTE 4 - COMPENSATED ABSENCES - EMPLOYEE VACATION AND SICK PAY

The Commission has not adopted a formal vacation and sick leave policy.

CANEY VALLEY RECREATION COMMISSION
CANEY, KANSAS

NOTES TO THE FINANCIAL STATEMENT

June 30, 2015

NOTE 5 - RISK MANAGEMENT

The Caney Valley Recreation Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Commission carries commercial insurance. Settlements of claims have not exceeded coverage during the past three fiscal years.

NOTE 6 – USE OF ESTIMATES

The preparation of regulatory basis financial statements required management to make estimates and assumptions that affect the reported amounts of expenditures during the audit period, encumbrances outstanding and disclosure of contingencies at the end of the audit period. Actual results could differ from the estimates.

NOTE 7 – CONTINGENT LIABILITIES

Management of the Commission and its Legal Counsel are not aware of any litigation involving the Commission at this time.

NOTE 8 – FUNDS ON HAND AT COFFEYVILLE AREA COMMUNITY FOUNDATION

The Coffeyville Area Community Foundation maintains an account for the benefit of the Caney Valley Recreation Commission. As of June 30, 2015, the Coffeyville Area Community Foundation had on hand a total of $15,038.10 for the Caney Valley Recreation Commission. $11,612.50 of these funds is a permanently restricted endowment. The earnings from this endowment are temporarily restricted for use set forth in the terms of the grant; this amount was $3,425.60 as of June 30, 2015. None of these funds are reflected in the Commission's financial statement because they are not available for use until the Foundation distributes them.

REGULATORY-REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE 1

CANEY VALLEY RECREATION COMMISSION
CANEY, KANSAS

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Fiscal Year Ended June 30, 2015

Fund	Certified Budget	Adjustments to Comply with Legal Max	Total Budget for Comparison	Expenditures Chargeable to Current Year Budget	Variance-Over (Under)
General Fund	$ 235,028.00	$ -	$ 235,028.00	$ 236,655.93	$ 1,627.93
Special Revenue Fund					
Employee Benefit Fund	$ 5,149.00	$ -	$ 5,149.00	$ 5,441.62	$ 292.62

CANEY VALLEY RECREATION COMMISSION
CANEY, KANSAS

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended June 30, 2015

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

GENERAL FUND

		CURRENT YEAR		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
CASH RECEIPTS				
County Taxes (USD 436)	$ 106,500.00	$ 110,744.00	$ 69,663.00	$ 41,081.00
Programming Fees	16,294.71	32,658.40	32,600.00	58.40
Community Center	6,167.55	6,074.00	5,750.00	324.00
Donations	722.50	6,164.07	6,164.00	0.07
Interest	154.72	66.15	65.00	1.15
Miscellaneous	2,156.00	4,000.00	4,000.00	-
TOTAL CASH RECEIPTS	$ 131,995.48	$ 159,706.62	$ 118,242.00	$ 41,464.62
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET				
Administrative	$ 42,925.82	$ 65,724.31	$ 65,882.00	$ (157.69)
Programming	29,846.36	41,420.77	38,220.00	3,200.77
Community Center	16,231.49	20,758.41	25,543.00	(4,784.59)
Operations	31,759.86	28,820.48	22,959.00	5,861.48
Insurance	14,376.00	13,817.00	13,778.00	39.00
Professional Fees	7,414.00	8,313.91	8,329.00	(15.09)
Capital Outlay	9,707.04	56,625.95	56,500.00	125.95
Miscellaneous	2,348.60	1,175.10	3,817.00	(2,641.90)
TOTAL EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET	$ 154,609.17	$ 236,655.93	$ 235,028.00	$ 1,627.93
RECEIPTS OVER (UNDER) EXPENDITURES	$ (22,613.69)	$ (76,949.31)		
UNENCUMBERD CASH, BEGINNING	154,392.44	131,778.75		
UNENCUMBERED CASH, ENDING	$ 131,778.75	$ 54,829.44		

CANEY VALLEY RECREATION COMMISSION
CANEY, KANSAS

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended June 30, 2015

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

EMPLOYEE BENEFIT FUND

		CURRENT YEAR		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
CASH RECEIPTS				
County Taxes (USD 436)	$ 6,450.00	$ 5,135.85	$ 3,247.00	$ 1,888.85
TOTAL CASH RECEIPTS	$ 6,450.00	$ 5,135.85	$ 3,247.00	$ 1,888.85
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET				
Payroll Taxes	$ 3,686.80	$ 5,441.62	$ 5,149.00	$ 292.62
Health Insurance	1,014.00		-	-
Workmen's Compensation and Liability Insurance	-	-	-	-
TOTAL EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET	$ 4,700.80	$ 5,441.62	$ 5,149.00	$ 292.62
RECEIPTS OVER (UNDER) EXPENDITURES	$ 1,749.20	$ (305.77)		
UNENCUMBERD CASH, BEGINNING	4,938.01	6,687.21		
UNENCUMBERED CASH, ENDING	$ 6,687.21	$ 6,381.44		