

TONGANOXIE RECREATION COMMISSION

Tonganoxie, Kansas

Financial Statements

For the Year Ended June 30, 2012

TONGANOXIE RECREATION COMMISSION
TONGANOXIE, KANSAS

Financial Statements
For the Year Ended June 30, 2012

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Tonganoxie Recreation Commission
Tonganoxie, Kansas

We have audited the financial statements of Tonganoxie Recreation Commission, a related municipal entity of the Tonganoxie Unified School District No. 464, Tonganoxie, Kansas, (the District), as of and for the year ended June 30, 2012. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements 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 February 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we express no opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

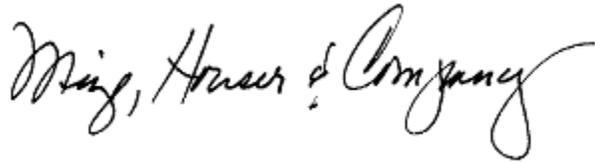
As described more fully in Note 1, the Recreation Commission has prepared this financial statement using the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Tonganoxie Recreation Commission, as of June 30, 2012, or the respective changes in financial position and changes in cash flows, where applicable, for the year then ended.

Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Recreation Commission as of June 30, 2012, and the aggregate cash receipts and expenditures for the year then ended, on the basis of accounting described in Note 1.

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 regulatory basis of accounting. Accordingly, such information should be read in conjunction with the Recreation Commission's financial statement for the year ended June 30, 2011, from which such partial information was derived.

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

A handwritten signature in black ink that reads "Ming, Horner & Company". The signature is written in a cursive, flowing style.

January 10, 2013

TONGANOXIE RECREATION COMMISSION
TONGANOXIE, KANSAS

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

<u>Fund</u>	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add: Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General	\$ 192,494	\$ -	\$ 449,274	\$ 455,596	\$ 186,172	\$ 8,091	\$ 194,263
Special Purpose Fund: Employee Benefits	<u>51,191</u>	<u>-</u>	<u>96,652</u>	<u>71,457</u>	<u>76,386</u>	<u>-</u>	<u>76,386</u>
Total	<u>\$ 243,685</u>	<u>\$ -</u>	<u>\$ 545,926</u>	<u>\$ 527,053</u>	<u>\$ 262,558</u>	<u>\$ 8,091</u>	<u>\$ 270,649</u>

Composition of Cash

Checking	\$ 3,630
Checking - Employee Benefits	57,847
Checking - Money Market	197,167
Checking - Money Market	11,465
Escrow	<u>540</u>
Total Cash	<u>\$ 270,649</u>

TONGANOXIE RECREATION COMMISSION

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

NOTE 1 - Summary of Significant Accounting Policies

Reporting Entity

Tonganoxie Recreation Commission (the Commission) is a related municipal entity of the Tonganoxie Unified School District No. 464 (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 Tonganoxie, and one by the District's and City's appointees. 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.

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.

Departure from Generally Accepted Accounting Principles

The basis of accounting described above results in a financial statement presentation which shows cash receipts (except as noted), cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented.

Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America. Capital assets that account for the land, buildings and equipment owned by the Commission are not presented in the financial statements. Also, long-term debt such as general obligation bonds, temporary notes and compensated absences are not presented in the financial statements. Inventories and prepaid expenses which benefit future periods are recorded as an expenditure during the year of purchase, as required by state statutes.

TONGANOXIE RECREATION COMMISSION

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

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Fund Descriptions

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the Recreation Commission for the year ended June 30, 2012:

Governmental Funds

General Fund - to account for all unrestricted resources except those required to be accounted for in another fund.

Special 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.

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 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 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 regulatory basis of accounting, in which revenues are recognized which 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 is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

TONGANOXIE RECREATION COMMISSION

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

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Ad Valorem Tax Revenues

The determination of assessed valuations and the collection of property taxes for all political subdivisions in the State of Kansas are the responsibility of the various counties. The County Appraiser annually determines assessed valuations on January 1 and the County Clerk spreads the annual assessment on the tax rolls. Property taxes are levied as of November 1 and become a lien on the property as of that date. Payments are due November 1, becoming delinquent, with penalty, December 21. Payments of 50% are due on or before 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

K.S.A. 9-1401 establishes the depositories which may be used by the Recreation Commission. The statute requires banks eligible to hold the Recreation Commission's funds have a main or branch bank in the county in which the Recreation Commission is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Recreation Commission has no other policies that would further limit interest rate risk.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Recreation Commission's deposits may not be returned to it. State statutes require the Recreation Commission's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at June 30, 2012.

At June 30, 2012, the Recreation Commission's carrying amount of deposits was \$270,649 and the bank balance was \$281,287. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$261,465 was covered by federal depository insurance and \$19,822 was collateralized with securities held by the pledging financial institutions' agents in the Recreation Commission's name.

NOTE 3 - Compensated Absences

The Recreation Commission's policy regarding sick pay is to grant personnel sick leave at 10 days a year up to 40 days, no compensation is paid out for unused sick days. The Recreation Commission allows vacation leave at two weeks per year. The Recreation Commission has not computed or recorded the liability at year end.

TONGANOXIE RECREATION COMMISSION

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

NOTE 4 - Long-Term Debt

During the year ended June 30, 2012, the following changes occurred in long term liabilities:

<u>Type of Issue</u>	Beginning Principal <u>Outstanding</u>	Additions to Principal <u>Principal</u>	Reductions of Principal <u>Principal</u>	Ending Principal <u>Outstanding</u>
Certificates of Participation	\$ 611,869	\$ -	\$ 58,183	\$ 553,686

Certificate of Participation: As of May 9, 2008, the Commission has entered into an agreement with the City of Tonganoxie to acquire and improve a sports facility. The future minimum payment obligations under this agreement as of June 30, 2012 are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 60,378	\$ 21,761	\$ 82,139
2014	62,894	19,244	82,138
2015	65,452	16,686	82,138
2016	68,113	14,026	82,139
2017	70,849	11,290	82,139
2018	73,763	8,376	82,139
2019	76,761	5,377	82,138
2020	75,476	2,256	77,732
	<u>\$ 553,686</u>	<u>\$ 99,016</u>	<u>\$ 652,702</u>

The agreement between the Recreation Commission and the City was amended on September 14, 2009. The Recreation Commission shall pay the City the sum of \$42,860 every six months for a period of ten years. The new payment amount began on March 1, 2010 and will continue every six months until the end of the lease term.

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.

TONGANOXIE RECREATION COMMISSION
TONGANOXIE, KANSAS

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

<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>
General	\$ 572,258	\$ -	\$ 572,258	\$ 455,596	\$ 116,662
Special Purpose: Employee Benefits	72,207	-	72,207	71,457	750

See independent auditor's report on the financial statements.

TONGANOXIE RECREATION COMMISSION
TONGANOXIE, KANSAS

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

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
District Funding	\$ 363,231	\$ 376,567	\$ 363,000	\$ 13,567
Interest	1,182	859	2,200	[1,341]
Athletic Fees	43,016	47,422	54,200	[6,778]
Camps and Clinics	1,165	1,795	-	1,795
Advertising	11,170	9,920	10,000	[80]
Other Programs	13,312	10,293	-	10,293
Miscellaneous	5,752	2,418	2,500	[82]
Total Cash Receipts	<u>438,828</u>	<u>449,274</u>	<u>\$ 431,900</u>	<u>\$ 17,374</u>
Expenditures				
Administration	173,153	187,969	\$ 235,369	\$ 47,400
Programs	54,004	49,062	60,850	11,788
Grounds and Maintenance	112,597	136,426	133,400	[3,026]
Capital Improvements	<u>82,139</u>	<u>82,139</u>	<u>142,639</u>	<u>60,500</u>
Total Expenditures	<u>421,893</u>	<u>455,596</u>	<u>\$ 572,258</u>	<u>\$ 116,662</u>
Receipts Over [Under] Expenditures	16,935	[6,322]		
Unencumbered Cash, Beginning	<u>175,559</u>	<u>192,494</u>		
Unencumbered Cash, Ending	<u>\$ 192,494</u>	<u>\$ 186,172</u>		

See independent auditor's report on the financial statements.

TONGANOXIE RECREATION COMMISSION
TONGANOXIE, KANSAS

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

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts	\$ 51,590	\$ 96,652	\$ 100,000	\$ [3,348]
Total Cash Receipts	<u>51,590</u>	<u>96,652</u>	<u>\$ 100,000</u>	<u>\$ [3,348]</u>
Expenditures:				
Employer's FICA	13,962	15,336	\$ 16,500	\$ 1,164
Retirement IRA	11,989	13,596	14,000	404
Health Insurance	36,771	38,508	36,000	[2,508]
Workman's Compensation	<u>4,573</u>	<u>4,017</u>	<u>5,707</u>	<u>1,690</u>
Total Expenditures	<u>67,295</u>	<u>71,457</u>	<u>\$ 72,207</u>	<u>\$ 750</u>
Receipts Over [Under] Expenditures	[15,705]	25,195		
Unencumbered Cash, Beginning	<u>66,896</u>	<u>51,191</u>		
Unencumbered Cash, Ending	<u>\$ 51,191</u>	<u>\$ 76,386</u>		

See independent auditor's report on the financial statements.