

NEWTON RECREATION COMMISSION

NEWTON, KANSAS

FINANCIAL STATEMENT

For the Year Ended June 30, 2013

Newton Recreation Commission

CONTENTS

June 30, 2013

		<u>Page</u>
<u>Financial Section</u>		
Independent Auditor's Report		1-2
Summary of Cash Receipts, Expenditures and Unencumbered Cash	Statement 1	3
Notes to Financial Statement		4-8
<u>Supplementary Information</u>		
Summary of Expenditures - Actual and Budget	Schedule 1	9
Schedules of Cash Receipts and Expenditures - Actual and Budget	Schedule 2	
General Fund		10
Special Purpose Fund		11
Summary of Expenditures – Year ended June 30, 2013	Schedule 3	12

Knudsen Monroe & Company LLC

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Newton Recreation Commission
Newton, Kansas 67114

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Newton Recreation Commission, a related municipal entity of the Unified School District No. 373, Newton, Kansas, as of and for the year ended June 30, 2013, 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 1 to meet the financial reporting requirements of the State of Kansas. 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.

Auditors' 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 1 of the financial statement, the financial statement is prepared by the 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 variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Newton Recreation Commission
Newton, Kansas

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 Commission as of June 30, 2013, 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 balance of the Commission as of June 30, 2013, 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 expenditures - actual and budget and the 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 purposes of additional analysis and are not a required part of the basic financial statement. 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 2012 actual columns presented in the individual fund schedules of cash receipts and expenditures - actual and budget (Schedules 2 and 3 as listed in the table of contents) are also presented for comparative analysis and are not a required part of the 2012 financial statements upon which we rendered an unqualified opinion dated October 5, 2012. The 2012 financial statements and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration, Office of Management Analysis and Standards at the following link <http://www.da.ks.gov/ar/muniserv/>. Such 2012 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 2012 financial statement. The 2012 comparative information was subjected to the auditing procedures applied in the audit of the 2012 financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2012 financial statement or to the 2012 financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2012 comparative information is fairly stated in all material respects in relation to the 2012 financial statement as a whole.

Knudsen, Menwe & Company LLC

Certified Public Accountants
Newton, Kansas

October 17, 2013

Newton Recreation Commission

SUMMARY OF CASH RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH
REGULATORY BASIS
Year ended June 30, 2013

<u>Funds</u>	Unencumbered Cash Balance <u>06/30/12</u>	<u>Receipts</u>	<u>Expenditures</u>	Unencumbered Cash Balance <u>06/30/13</u>	Accounts Payable and <u>Encumbrances</u>	Cash Balance <u>06/30/13</u>
Governmental Fund Types:						
General Fund:						
General	\$ 1,054,774	1,528,210	1,362,736	1,220,248	-	1,220,248
Special Purpose Fund:						
Employee Benefit and Liability Insurance	<u>60,223</u>	<u>214,000</u>	<u>219,945</u>	<u>54,278</u>	-	<u>54,278</u>
	<u>\$ 1,114,997</u>	<u>1,742,210</u>	<u>1,582,681</u>	<u>1,274,526</u>	-	<u>1,274,526</u>

Composition of Cash Balance

First Bank of Newton	
NOW account	\$ 1,575
Money market account	1,070,745
Certificate of deposit	201,731
Petty Cash	<u>475</u>
	<u>\$ 1,274,526</u>

Newton Recreation Commission

NOTES TO FINANCIAL STATEMENT

June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Newton Recreation Commission is a related municipal entity of Unified School District No. 373, Newton, Kansas. The Commission is composed of a five member board. Two of the members are appointed by the City, two are appointed by Unified School District No. 373, and one is appointed by the other four members. These financial statements include only the activity of the Commission for the year ended June 30, 2013.

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 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 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.

KMAAG Regulatory Basis of Presentation and Definitions

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 Commission for the year ended June 30, 2013:

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

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

Newton Recreation Commission

NOTES TO FINANCIAL STATEMENT

June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with the basis of accounting described above requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund and special purpose fund (unless specifically exempted by statute). The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

Per KSA 12-1927, a recreation commission must:

- (a) Not later than August 1, certify its budget to the sponsoring city or school district.
- (b) Not less than 10 days prior to the certifying date, the Commission is required to hold a public hearing on the budget.
- (c) At least 10 days prior to the public hearing date, the Commission is required to publish the budget.

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. There were no such budget amendments for the year ended June 30, 2013.

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 Commission 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.

Unified School District No. 373, Newton, Kansas is the tax levying body for the Commission.

Newton Recreation Commission

NOTES TO FINANCIAL STATEMENT

June 30, 2013

2. 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 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 investment policy 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.

As of June 30, 2013, the Commission's investments included savings and time deposits with a fair value of \$1,272,476, which are not subject to investment rating.

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 designated "peak periods" when required coverage is 50%. The Commission has not designated peak periods. All deposits were legally secured at June 30, 2013.

At June 30, 2013, the carrying amount of the Commission's deposits was \$1,274,051. The bank balance totaled \$1,311,152. The balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by FDIC insurance with the remaining \$1,061,152 collateralized with securities held by the pledging financial institutions' agents in the Commission's name.

3. ACTIVITY CENTER BUILDING LEASE

The Commission is currently leasing the activity center building from the City of Newton. The lease agreement is dated December 19, 1979, for a term of one year. In the absence of written notification, the lease automatically renews for a like term. The lease payment was one dollar for the term of the lease.

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Kansas Statutes

Management is not aware of any statutory violations occurring in the year ended June 30, 2013.

Newton Recreation Commission

NOTES TO FINANCIAL STATEMENT

June 30, 2013

5. DEFINED BENEFIT PENSION PLAN

Plan Description

The 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) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 and K.S.A. 74-4921 establish 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 the provisions of Section 414(h) of the Internal Revenue Code. The employer rate established by statute was 8.34% at June 30, 2013. The Newton Recreation Commission contributions to KPERs for the years ending June 30, 2013, 2012 and 2011, were \$44,239, \$40,416, and 40,662 respectively, equal to the statutory required contributions for each year.

6. COMPENSATED ABSENCES

All personnel earn vacation time per the following schedule:

- Completion of one through five years - two weeks
- After five years - three weeks
- After ten years - four weeks

Unused vacation time has not been recorded as a liability in the accompanying financial statement.

All full time employees accrue sick leave at the rate of four hours per pay period. Unused sick leave may be accrued from year to year, except that the maximum accrual shall not exceed 720 hours. At the discretion of the employee, sick leave accumulated in excess of 480 hours is paid to the employee once each year at fifty percent of the employee's hourly pay rate.

Unused sick leave is not paid to employees upon termination. Unused sick leave has not been recorded as a liability in the accompanying financial statements.

Newton Recreation Commission

NOTES TO FINANCIAL STATEMENT

June 30, 2013

7. COMMITMENT AND CONTINGENCIES

During the year ended June 30, 2004, the Commission entered into an agreement with Unified School District No. 373 and the City of Newton to provide funding for improvements to certain Newton athletic facilities. Under terms of the agreement the entities will levy additional taxes, approximately 1.2 mills from the Commission, for improvements and future maintenance of these facilities. Funds generated by the levy will be paid in the form of rental payments to the Newton Public Building Commission (a component unit of the City of Newton) which has issued \$2,685,000 in revenue bonds to fund the initial improvements. The cost to the Commission for the year ended June 30, 2013 was \$237,544.

8. DATE OF MANAGEMENT'S REVIEW

Management has performed an analysis of the activities and transactions subsequent to June 30, 2013, to determine the need for any adjustments to and/or disclosures within the audited financial statements. Management has performed their analysis through October 17, 2013, which is the date at which the financial statements were available to be issued.

NEWTON RECREATION COMISSION
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013

Newton Recreation Commission

SUMMARY OF EXPENDITURES-ACTUAL AND BUDGET
REGULATORY BASIS

Year ended June 30, 2013

	Certified <u>Budget</u>	Expenditures Chargeable to <u>Current Year</u>	Variance Over <u>(Under)</u>
General Fund:			
General	\$ 2,597,274	1,362,736	(1,234,538)
Special Purpose Fund:			
Employee Benefit and Liability Insurance	<u>274,222</u>	<u>219,945</u>	<u>(54,277)</u>
	<u>\$ 2,871,496</u>	<u>1,582,681</u>	<u>(1,288,815)</u>

Newton Recreation Commission

General Fund

SCHEDULE OF CASH RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET
REGULATORY BASIS

Year ended June 30, 2013

(With comparative actual amounts for the year ended June 30, 2012)

	2012 <u>Actual</u>	2013		Variance Over (Under)
		<u>Actual</u>	<u>Budget</u>	
GENERAL FUND				
Receipts				
Appropriations from Unified School District No. 373	\$ 1,031,300	1,068,500	1,068,500	-
Interest	4,624	3,289	7,000	(3,711)
Program	78,291	87,589	81,000	6,589
Fisher Field	55,650	41,213	43,000	(1,787)
Sports	91,366	87,833	91,500	(3,667)
Wellness Center	155,461	155,090	157,500	(2,410)
Aquatics	73,459	65,579	80,000	(14,421)
Donations, sales, and other	<u>36,687</u>	<u>19,117</u>	<u>14,000</u>	<u>5,117</u>
	<u>1,526,838</u>	<u>1,528,210</u>	<u>1,542,500</u>	<u>(14,290)</u>
Expenditures				
Administration	260,761	272,540	267,000	5,540
Program	80,666	84,766	81,000	3,766
Fisher Field	51,739	41,241	43,000	(1,759)
Sports	111,772	115,578	112,500	3,078
Wellness Center	94,118	105,090	115,500	(10,410)
Aquatics	148,916	148,684	156,000	(7,316)
Capital improvement	293,275	268,522	1,479,274	(1,210,752)
Building maintenance	176,561	176,692	188,000	(11,308)
Field maintenance	<u>148,570</u>	<u>149,623</u>	<u>155,000</u>	<u>(5,377)</u>
	<u>1,366,378</u>	<u>1,362,736</u>	<u>2,597,274</u>	<u>(1,234,538)</u>
Receipts over (under) expenditures	160,460	165,474		
Unencumbered cash, beginning	<u>894,314</u>	<u>1,054,774</u>		
Unencumbered cash, ending	<u>\$ 1,054,774</u>	<u>1,220,248</u>		

Newton Recreation Commission

Special Purpose Fund

SCHEDULE OF CASH RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET
REGULATORY BASIS

Year ended June 30, 2013

(With comparative actual amounts for the year ended June 30, 2012)

	2012 <u>Actual</u>	2013		Variance Over (Under)
		<u>Actual</u>	<u>Budget</u>	
EMPLOYEE BENEFIT AND LIABILITY INSURANCE FUND				
Receipts				
Appropriations from Unified School District No. 373	\$ 215,000	214,000	214,000	-
Expenditures				
Employee benefits	191,494	206,376	258,622	(52,246)
Insurance	13,683	13,569	15,600	(2,031)
	<u>205,177</u>	<u>219,945</u>	<u>274,222</u>	<u>(54,277)</u>
Receipts over (under) expenditures	9,823	(5,945)		
Unencumbered cash, beginning	<u>50,400</u>	<u>60,223</u>		
Unencumbered cash, ending	\$ <u>60,223</u>	<u>54,278</u>		

Newton Recreation Commission

SUMMARY OF EXPENDITURES
REGULATORY BASIS

Year ended June 30, 2013

(With comparable actual amounts for the year ended June 30, 2012)

	Salaries & Wages	Supplies	Contractual Services	Other Services	Employee Benefits	Capital Outlay	2013 Total	2012 Total
<u>GENERAL FUND</u>								
Administration	\$ 180,633	28,626	51,889	11,392	-	-	272,540	260,761
Program	52,742	17,703	11,786	2,535	-	-	84,766	80,666
Fisher Field	18,094	2,785	15,846	4,516	-	-	41,241	51,739
Sports	64,212	30,764	17,997	2,605	-	-	115,578	111,772
Wellness Center	86,126	4,338	6,228	903	-	7,495	105,090	94,118
Aquatics	105,131	30,802	9,314	3,437	-	-	148,684	148,916
Capital improvement	-	5,413	1,495	-	-	261,614	268,522	293,275
Building maintenance	76,728	25,147	70,004	4,813	-	-	176,692	176,561
Field maintenance	<u>90,370</u>	<u>35,823</u>	<u>18,805</u>	<u>4,625</u>	<u>-</u>	<u>-</u>	<u>149,623</u>	<u>148,570</u>
	<u>\$ 674,036</u>	<u>181,401</u>	<u>203,364</u>	<u>34,826</u>	<u>-</u>	<u>269,109</u>	<u>1,362,736</u>	<u>1,366,378</u>
<u>EMPLOYEE BENEFIT AND LIABILITY INSURANCE FUND</u>								
Administration	\$ <u>-</u>	<u>-</u>	<u>13,569</u>	<u>-</u>	<u>206,376</u>	<u>-</u>	<u>219,945</u>	<u>205,177</u>