Sublette Recreation Commission

Sublette, Kansas

For the Year Ended June 30, 2021

Sublette Recreation Commission
Sublette, Kansas
Financial Statement
For the Year Ended June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sublette Recreation Commission
Sublette, Kansas 67877

We have audited the accompanying summary statement of receipts, expenditures, and unencumbered cash of the Sublette Recreation Commission as of and for the year ended June 30, 2021 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; 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 the 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 to the financial statement, the financial statement is prepared by the Sublette Recreation Commission 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 of 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.

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 Sublette Recreation Commission as of June 30, 2021, or changes in financial position and cash flows thereof for the year then ended.

Unmodified 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 Sublette Recreation Commission as of June 30, 2021, 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.

Other Matters
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 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.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the Sublette Recreation Commission as of and for the year ended June 30, 2020 (not presented herein), and have issued our reported thereon dated September 3, 2020, which contained an unmodified opinion on the basic financial statement. The 2020 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://admin.ks.gov/offices/oar/ municipal-services. The 2020 actual column (2020 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures – actual and budget for the year ended June 30, 2020 (Schedule 2 as listed in the table of contents) is presented for the purposes of additional analysis and is not a required part of the basic financial statement. Such 2020 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 2020 basic financial statement. The 2020 comparative information was subjected to the auditing procedures applied in the audit of the 2020 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 2020 basic financial statement or to the 2020 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 2020 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended June 30, 2020, on the basis of accounting described in Note 1.

Dirks, Anthony & Duncan LLC

DIRKS, ANTHONY & DUNCAN, LLC
Certified Public Accountants

August 25, 2021

Sublette Recreation Commission
Sublette, Kansas
Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended June 30, 2021

Fund	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add: Encumbrances and Accounts Payable	Ending Cash Balance
General Fund:						
General Fund	$ 348,067.33	$ 219,476.74	$ 231,349.10	$ 336,194.97	$ -	$ 336,194.97
Special Purpose Fund:						
Employee Benefits	65,888.44	62,547.19	60,023.29	68,412.34	-	68,412.34
Total Component Unit	$ 413,955.77	$ 282,023.93	$ 291,372.39	$ 404,607.31	$ -	$ 404,607.31

Composition of Cash

Centera State Bank, Sublette, Kansas

Checking Account	$ 3,000.00
Money Market Account	321,034.00
Certificate of Deposit	80,473.31
Petty Cash	100.00
Total Composition of Cash	$ 404,607.31

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

SUBLETTE RECREATION COMMISSION
Notes to the Financial Statement
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Financial Reporting Entity

The Sublette Recreation Commission is authorized by K.S.A. 12-1925 under an agreement with the Unified School District No. 374, Sublette, Kansas to provide a system of public recreation. The governing body of the Sublette Recreation Commission Board ("Board") has two members appointed by the USD No. 374 board, two members appointed by the City of Sublette, and one member appointed by the other four members. The Recreation Commission Board operates as a separate governing body, but USD No. 374 levies the taxes for the Recreation Commission and the Recreation Commission has only the powers granted by K.S.A. 12-1928 This financial statement consists of all the funds of the Sublette Recreation Commission.

b) Regulatory Basis Fund Types

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 regulatory receipt sources (other than Capital Project and tax levies for long- term debt) that are intended for specified purposes.

c) 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, 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.

The Recreation 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 Recreation Commission to use the regulatory basis of accounting.

d) 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.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory 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 for this year.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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 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 Recreation 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.

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

References made herein to the statutes are not intended as interpretations of law but are offered for consideration of the Director of Accounts and Reports, Kansas Department of Administration and Interpretation by legal repetition of the Municipality.

No statute violations were noted for the year ending June 30, 2021.

NOTE 3 – 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.

K.S.A. 12-1675 limits the Recreation 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 Recreation 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 Recreation 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 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. All deposits were legally secured at June 30, 2021.

On June 30, 2021, the Recreation Commission’s carrying amount of deposits was $404,607 and the bank balance was $416,595. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, $250,000 was covered by federal depository insurance, and the remaining $166,595 was collateralized with securities held by the pledging financial institutions’ agents in the Recreation Commission’s name.

NOTE 3 – DEPOSITS AND INVESTMENTS (CONT.)

Custodial Credit Risk - Investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Recreation 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.

NOTE 4 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description. The Recreation Commission 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. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or before July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contribution are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1 and KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate for the Death and Disability Program) and the statutory contribution rate was 8.61% for July 1, 2020 through December 31, 2020 and 8.87% for January 1, 2021 through June 30, 2021. Contributions to the pension plan from the Recreation Commission was $8,753 for the year ended June 30, 2021.

Net Pension Liability

At June 30, 2021, the Recreation Commission's proportionate share of the collective net pension liability reported by KPERS was $84,637. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019, which was rolled forward to June 30, 2020. The Recreation Commission's proportion of the net pension liability was based on the ratio of the Recreation Commission's contributions to KPERS, relative to the total employer and non-employer contribution of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website www.kpers.org or can be obtained as described above.

NOTE 5 – OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

a) Other Post-Employment Benefits

As provided by K.S.A. 12-5040, the Recreation Commission allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the Recreation Commission is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

NOTE 5 – OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS (CONT.)

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Recreation Commission makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

b) Death and Disability Other Post-Employment Benefit

As provided by K.S.A. 74-4927, disable members in the Kansas Public Employees Retirement System (KPERS) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payment. The employer contribution rate is set at 1% for the year ended June 30, 2021.

c) Other Employee Benefits

Vacation Leave. The Recreation Commission grants full-time employees vacation leave based on their years of service. A maximum number of hours can be carried over every calendar year, the amount is based on the years of service. The Recreation Commission does not mention the amount of leave that will be paid out upon a full-time employee's termination. The liability for accrued vacation time is $5,971 as of June 30, 2020.

Sick Leave. The Recreation Commission grants full-time employees four hours of sick leave per pay period. A maximum number of 720 hours can be carried over every calendar year. No sick leave will be paid out upon a full-time employee's termination.

NOTE 6 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of this report. Management's evaluation concluded that there are no subsequent events that are required to be recognized, but one event is to be disclosed in this financial statement.

On January 30, 2020, the World Health Organization (WHO) declared the coronavirus outbreak, aka COVID-19, a "Public Health Emergency of International Concern." The coronavirus was elevated to pandemic on March 10, 2020. As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact the entire United States economy. It is unknown how long these conditions will last and what the complete financial effect will be to the municipality.

Sublette Recreation Commission

Sublette, Kansas

Regulatory Required Supplemental Information

SCHEDULE 1

Sublette Recreation Commission
Sublette, Kansas
Summary of Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2021

Fund	Certified Budget	Total Budget for Comparison	Expenditures Chargeable to Current Year Budget	Variance Over (Under)
General Fund:				
General Fund	$ 518,686.00	$ 518,686.00	$ 231,349.10	$ (287,336.90)
Special Purpose Fund:				
Employee Benefits	92,739.00	92,739.00	60,023.29	(32,715.71)

Sublette Recreation Commission
Sublette, Kansas
General Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2021
(With Comparative Actual Totals for the Year Ended June 30, 2020)

	Prior Year Actual	Current Year Actual	Current Year Budget	Variance Over (Under)
Receipts				
County Appropriations	$ 248,771.04	$ 192,322.87	$ 180,750.00	$ 11,572.87
Program Fees/Donations	23,473.99	22,896.48	37,000.00	(14,103.52)
Sponsorship	1,220.00	2,150.00	-	2,150.00
Interest on Idle Funds	1,656.17	461.08	2,000.00	(1,538.92)
Facility Fees/Miscellaneous	10,371.52	1,646.31	500.00	1,146.31
Total Receipts	285,492.72	219,476.74	$ 220,250.00	$ (773.26)
Expenditures				
Facilities Expense	49,235.94	57,321.62	108,750.00	(51,428.38)
Improvements	22,116.38	24,740.05	45,000.00	(20,259.95)
Programs	9,234.12	12,621.79	57,000.00	(44,378.21)
Professional Fees	8,535.00	9,475.00	-	9,475.00
Salaries & Wages	113,089.55	114,245.41	130,000.00	(15,754.59)
Capital Reserve	12,680.23	12,680.23	177,936.00	(165,255.77)
Miscellaneous	30.00	265.00	-	265.00
Total Expenditures	214,921.22	231,349.10	$ 518,686.00	$ (287,336.90)
Receipts Over (Under) Expenditures	70,571.50	(11,872.36)		
Unencumbered Cash, July 1	277,495.83	348,067.33		
Unencumbered Cash, June 30	$ 348,067.33	$ 336,194.97		

Sublette Recreation Commission
Sublette, Kansas
Employee Benefits Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2021
(With Comparative Actual Totals for the Year Ended June 30, 2020)

	Prior Year Actual	Current Year Actual	Current Year Budget	Current Year Variance Over (Under)
Receipts				
County Appropriations	$ 63,536.10	$ 62,547.19	$ 25,000.00	$ 37,547.19
Total Receipts	63,536.10	62,547.19	$ 25,000.00	$ 37,547.19
Expenditures				
Insurance - Unemployment	-	-	100.00	(100.00)
Health Insurance	21,104.68	33,237.85	50,139.00	(16,901.15)
Employee Tax	9,545.25	8,885.10	15,000.00	(6,114.90)
Workman's Compensation	1,691.00	1,724.00	5,000.00	(3,276.00)
Insurance	2,132.00	2,182.40	7,500.00	(5,317.60)
KPERS	7,726.57	13,993.94	15,000.00	(1,006.06)
Total Expenditures	42,199.50	60,023.29	$ 92,739.00	$ (32,715.71)
Receipts Over (Under) Expenditures	21,336.60	2,523.90		
Unencumbered Cash, July 1	44,551.84	65,888.44		
Unencumbered Cash, June 30	$ 65,888.44	$ 68,412.34		