# PARSONS RECREATION COMMISSION

Independent Auditors' Report and
Financial Statement with
Supplementary Information

For the Year Ended June 30, 2021

**PARSONS RECREATION COMMISSION**

June 30, 2021

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**JARRED, GILMORE & PHILLIPS, PA**
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Parsons Recreation Commission
Parsons, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Parsons Recreation Commission, Parsons, Kansas, 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.

***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 Commission'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 Parsons 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 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.

***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 Parsons 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 Parsons 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***
*Supplemental 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 the 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 Parsons Recreation Commission as of and for the year ended June 30, 2020 (not presented herein), and have issued our report thereon dated October 22, 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, 2021 (Schedule 2 as listed in the table of contents) is presented for 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.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

December 10, 2021
Chanute, Kansas

**PARSONS RECREATION COMMISSION**
Summary Statement of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis
For the Year Ended June 30, 2021

| Funds | Beginning Unencumbered Cash Balance | Receipts | Expenditures | Ending Unencumbered Cash Balance | Add Encumbrances and Accounts Payable | Ending Cash June 30, 2021 |
|---|---|---|---|---|---|---|
| General | $ 121,179.82 | $ 567,701.88 | $ 559,981.29 | $ 128,900.41 | $ 31,193.61 | $ 160,094.02 |
| Special Purpose Funds: | | | | | | |
| Employee Benefits | 180,275.22 | 53,978.21 | 60,927.03 | 173,326.40 | 7,503.81 | 180,830.21 |
| Total Reporting Entity | $ 301,455.04 | $ 621,680.09 | $ 620,908.32 | $ 302,226.81 | $ 38,697.42 | $ 340,924.23 |

| Composition of Cash: | |
|---|---|
| Cash on Hand | $ 1,120.00 |
| General Checking Account | 17,009.54 |
| Activity Checking Accounts | 171,663.12 |
| Certificates of Deposit | 151,131.57 |
| Total Cash and Investments | $ 340,924.23 |

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

**PARSONS RECREATION COMMISSION**

Notes to Financial Statement
June 30, 2021

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement and schedules of the Parsons Recreation Commission have been prepared in order to show compliance with the cash basis and budget laws of the State of Kansas. The Governmental Accounting Standards Board is the principal standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Commission's accounting policies follow. Note 1 describes how the Commission's accounting policies differ from accounting policies generally accepted in the United States of America.

Financial Reporting Entity

The Parsons Recreation Commission (Commission) is a municipality of the State of Kansas organized under K.S.A. 12-1925 with a five-member Board of Commissioners. Two members being appointed by the Parsons Recreation Commission, Parsons, Kansas, two by USD #503, and one by the members of the Commission.

*Related Municipal Entities:* A related municipal entity is determined by the following criteria. Whether the Commission exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of the public service, and significant operational or financial relationships with the Commission. Related municipal entities are not required to be included in the Commission's audit by the Kansas Municipal Audit and Accounting Guide (KMAAG).

The Commission has determined that no outside agency meets the above criteria and, therefore, no outside agency has been included as a related municipal entity in the financial statement.

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 Parsons Recreation Commission, for the fiscal year of 2020-2021:

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 Project and tax levies for long-term debt) that are intended for specified purposes.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

*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 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 of accounting.

Comparative Data

Comparative data for the prior year have been presented in the accompanying financial statement in order to provide an understanding of changes in the Commission's financial position and operations. However, complete comparative data in each of the statement have not been presented since their inclusion would make the statement unduly complex and difficult to read.

Reimbursed Expenses

K.S.A. 79-2934 provides that reimbursed expenditures, in excess of those budgeted, should be recorded as reductions in expenditures rather than cash receipts. In the financial statement and budget schedule comparisons presented in this report, reimbursements and refunds are recorded as cash receipts. The reimbursements are recorded as cash receipts when received by the Commission treasurer and are often difficult to identify the exact expenditure which they are reimbursing. In funds showing expenditures in excess of the original adopted budget, reimbursements are added to the adopted budget as budget credits for comparison with the actual expenditures.

Property Taxes

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed a calendar year basis and become a lien on the property on November 1 of each year. The county treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half of the full amount of taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the county treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, for revenue recognition purposes, taxes levied during the current year are not due and receivable until the ensuing year. At December 31 such taxes are a lien on the property.

Pension Plan

Substantially all full-time Commission employees are members of the State of Kansas Public Employees Retirement System, which is a multi-employer state-wide pension plan. The Commission's policy is to fund all pension costs accrued. Such costs to be funded are actuarially determined annually by the State of Kansas.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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), debt service funds, and business funds. The Unified School District #503 has been designated as the taxing authority for the Commission. Although directory rather than mandatory, the statutes provide for the following timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before July 1st.
2. Publication in local newspaper on or before July 10th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before July 20th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget and certification submitted to the Unified School District on or on or before August 1st, but at least 10 days after the public hearing.

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 this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of the 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.

A legal operating budget is not required for capital projects funds and trust funds.

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.

## 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Kansas Statutes

Statement 1 and Schedule 1 have been prepared in order to show compliance with the cash basis and budget laws of Kansas. As shown in Statement 1, the Commission was in compliance with the cash basis laws of Kansas. As shown in Schedule 1, the Commission was in compliance with the budget laws of Kansas.

## 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 branch or branch bank in the county in which the Commission is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Commission has no other policies that would further limit interest rate risk.

K.S.A 12-1675 limits the Commission's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. Government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Commission has no investment policy that would further limit its investment choices.

*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 Commission, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at June 30, 2021.

At year-end, the Commission's carrying amount of deposits was $339,804.23 and the bank balance was $367,217.73. The bank balance was held by three banks resulting in a concentration of credit risk. Of the bank balance $232,825.70 was covered by FDIC insurance and $151,131.57 was covered by NCUA insurance.

## 4. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee's health and life; and natural disasters. The Commission manages these risks of loss through the purchase of various insurance policies.

## 5. CAPITAL LEASES

The Commission entered into a capital lease agreement dated September 11, 2017, to purchase a 2006 Dodge Ram 1500. The Commission agreed to make 48 monthly payments of $205.92, including interest at 2.75%.

| | |
|---|---|
| 2022 | $ 264.64 |
| Total Net Minimum Lease Payments | 264.64 |
| Less: Imputed Interest | (2.79) |
| Net Present Value | 261.85 |
| Less: Current Maturities | (261.85) |
| Long-Term Capital Lease Obligations | $ 0.00 |

**5. CAPITAL LEASES** (Continued)

The Commission entered into a capital lease agreement dated October 9, 2018, to purchase a Grasshopper Mower. The Commission agreed to make 16 quarterly payments of $790.55, including interest at 3.37%.

| | |
|---|---|
| 2022 | $ 3,162.20 |
| 2023 | 790.90 |
| Total Net Minimum Lease Payments | 3,953.10 |
| Less: Imputed Interest | (98.18) |
| Net Present Value | 3,854.92 |
| Less: Current Maturities | (3,070.67) |
| Long-Term Capital Lease Obligations | $ 784.25 |

## 6. LONG-TERM DEBT

Changes in long-term debt for the Parsons Recreation Commission for the year ended June 30, 2021, were as follows:

| Issue | Interest Rates | Date of Issue | Original Amount of Issue | Date of Final Maturity | Balance Beginning of Year | Additions | Reductions/ Payments | Balance End of Year | Interest Paid |
|---|---|---|---|---|---|---|---|---|---|
| Capital Lease | | | | | | | | | |
| 2006 Dodge Ram 1500 | 2.86% | September 11, 2017 | $ 9,350.00 | September 11, 2021 | $ 2,917.37 | $ - | $ 2,655.52 | $ 261.85 | $ 44.48 |
| Grasshopper Mower | 3.37% | October 9, 2018 | 11,795.00 | October 1, 2022 | 6,825.21 | - | 2,970.29 | 3,854.92 | 146.95 |
| Total Contractual Indebtedness | | | | | $ 9,742.58 | $ - | $ 5,625.81 | $ 4,116.77 | $ 191.43 |

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity is as follows:

| Issue | 2022 | 2023 | Total |
|---|---|---|---|
| Principal | | | |
| Capital Lease | | | |
| 2006 Dodge Ram 1500 | $ 261.85 | $ - | $ 261.85 |
| Grasshopper Mower | 3,070.67 | 784.25 | 3,854.92 |
| Total Principal | 3,332.52 | 784.25 | 4,116.77 |
| Interest | | | |
| Capital Lease | | | |
| 2006 Dodge Ram 1500 | 2.79 | - | 2.79 |
| Grasshopper Mower | 91.53 | 6.65 | 98.18 |
| Total Interest | 94.32 | 6.65 | 100.97 |
| Total Principal and Interest | $ 3,426.84 | $ 790.90 | $ 4,217.74 |

## 7. DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

*Plan description.* The Parsons 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 publically 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 after 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 contributions 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 the fiscal year ended December 31, 2020. Contributions to the pension plan from Parsons Recreation Commission were $19,915.51 for the year ended June 30, 2021.

Net Pension Liability

At June 30, 2021, the Parsons Recreation Commission's proportionate share of the collective net pension liability reported by KPERS was $191,101.00. 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 Parsons Recreation Commission's proportion of the net pension liability was based on the ratio of the Parsons Recreation Commission's contributions to KPERS, relative to the total employer and non-employer contributions 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 these financial statements.

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 at www.kpers.org or can be obtained as described above.

## 8. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

*Death and Disability Other Post-Employment Benefits*
As provided by K.S.A. 74-4927, disabled 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 payments. The employer contribution rate is set at 1% for the year ended December 31, 2020

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

*Other Post Employment Benefits (Continued):*
Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the 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. There is no cost to the Commission under this program.

*Compensated Absences:*
Regular employees earn and accumulate vacation leave as follows:

0-4 years – 10 days
5-10 years – 15 days
After Ten Full Years of Employment – 20 days

Upon being hired, the employee begins to accrue vacation each month. They are not eligible to take any leave until employed continuously for six months. Employees may not carry more than 10 vacation days over from one calendar year to the next. Upon termination, an employee shall be compensated for all unused vacation leave. The employee will be kept on the payroll until all accumulated leave has been used.

Regular employees earn and accumulate sick leave as follows:

Upon Employment – 1 day per month or 12 days annually

Sick leave may be accumulated to a maximum of 60 days. Any unused sick leave at date of termination is lost if employee resigns or is dismissed. However, upon retirement an employee may receive 30% for accumulated sick leave.

The Commission accrues a liability for compensated absences which meet the following criteria:

1. The Commission's obligation relating to employees rights to receive compensation for future absences is attributable to employees' services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated and, is material.

In accordance with the above criteria, the Commission has estimated a liability for vacation benefits which has been earned, but not taken by Commission employees of $8,842.32. The Commission has not estimated a liability for sick leave earned, but not taken, by Commission employees, as the amounts cannot be reasonably estimated at this time.

## 9. CONTINGENCIES

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus in Wuhan, China (the "COVID-19 outbreak") and the risk to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Commission's financial condition, liquidity and future results of operations. Management is actively monitoring the global and local situation on its financial condition, liquidity, operations, suppliers, industry and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Commission is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition or liquidity for fiscal year 2021. Our results of operations for full year 2022 may be materially adversely affected.

## 10. SUBSEQUENT EVENTS

The Commission evaluated events and transactions occurring subsequent year end, and there were no subsequent events requiring recognition in the financial statement.

The Commission did purchase a new mower for $25,096.00 using funds held in reserve, irrigation equipment for the ball fields for $25,900.00, and new sod for two fields for $50,600.00 purchase with donated funds for the Athletic Complex.

# SUPPLEMENTARY INFORMATION

**Schedule 1**

**PARSONS RECREATION COMMISSION**
Summary of Expenditures - Actual and Budget
Regulatory Basis
(Budgeted Funds Only)
For the Year Ended June 30, 2021

| Funds | Certified Budget | Adjustments for Qualifying Budget Credits | Total Budget for Comparison | Expenditures Chargeable to Current Year | Variance - Over (Under) |
|---|---|---|---|---|---|
| General | $ 640,300.00 | $ 5,180.82 | $ 645,480.82 | $ 559,981.29 | $ (85,499.53) |
| Special Purpose Funds: | | | | | |
| Employee Benefits | 75,500.00 | - | 75,500.00 | 60,927.03 | (14,572.97) |

**PARSONS RECREATION COMMISSION**
**GENERAL FUND**
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Prior Year Ended June 30, 2020)

| | | Current Year | | |
|---|---|---|---|---|
| | Prior Year Actual | Actual | Budget | Variance - Over (Under) |
| Receipts | | | | |
| Taxes and Shared Receipts | | | | |
| Appropriations from USD #503 | $ 330,000.00 | $ 350,000.00 | $ 365,000.00 | $ (15,000.00) |
| Charges for Services | | | | |
| Fees and Charges | 176,462.75 | 178,040.00 | 175,000.00 | 3,040.00 |
| Use of Money and Property | | | | |
| Interest | 647.86 | 537.97 | 250.00 | 287.97 |
| Rental Receipts | - | 9,749.02 | - | 9,749.02 |
| Other Receipts | | | | |
| Grants | 9,500.00 | 12,965.07 | - | 12,965.07 |
| Reimbursed Expense | 43,369.98 | 5,180.82 | 20,000.00 | (14,819.18) |
| Miscellaneous | 18,073.90 | 11,229.00 | 62,000.00 | (50,771.00) |
| Total Receipts | 578,054.49 | 567,701.88 | $ 622,250.00 | $ (54,548.12) |
| Expenditures | | | | |
| Personal Services | 239,229.94 | 248,693.97 | $ 372,400.00 | $ (123,706.03) |
| Contractual Services | 241,404.25 | 235,556.24 | 100,000.00 | 135,556.24 |
| Commodities | 32,042.45 | 42,778.34 | 28,000.00 | 14,778.34 |
| Capital Outlay | 55,369.83 | 27,135.50 | 133,500.00 | (106,364.50) |
| Debt Service | | | | |
| Lease Purchase | 5,562.20 | 5,817.24 | 6,400.00 | (582.76) |
| Total Certified Budget | | | 640,300.00 | (80,318.71) |
| Adjustments for Qualifying Budget Credits | | | 5,180.82 | (5,180.82) |
| Total Expenditures | 573,608.67 | 559,981.29 | $ 645,480.82 | $ (85,499.53) |
| Receipts Over(Under) Expenditures | 4,445.82 | 7,720.59 | | |
| Unencumbered Cash, Beginning | 116,734.00 | 121,179.82 | | |
| Unencumbered Cash, Ending | $ 121,179.82 | $ 128,900.41 | | |

**PARSONS RECREATION COMMISSION**
**EMPLOYEE BENEFITS FUND**
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Prior Year Ended June 30, 2020)

| | Prior Year Actual | Current Year Actual | Current Year Budget | Current Year Variance - Over (Under) |
|---|---|---|---|---|
| Receipts | | | | |
| Taxes and Shared Receipts | | | | |
| Appropriations from USD #503 | $ 70,000.00 | $ 53,978.21 | $ 60,000.00 | $ (6,021.79) |
| Total Receipts | 70,000.00 | 53,978.21 | $ 60,000.00 | (6,021.79) |
| Expenditures | | | | |
| Employee Benefits | | | | |
| Health Insurance | 18,754.89 | 18,910.30 | $ 23,000.00 | $ (4,089.70) |
| FICA/Medicare Taxes | 18,888.88 | 18,013.41 | 22,000.00 | (3,986.59) |
| Workmen's Compensation | 2,538.00 | 2,538.00 | 2,000.00 | 538.00 |
| Unemployment Taxes | 256.52 | 211.97 | 5,000.00 | (4,788.03) |
| KPERS | 20,409.76 | 19,915.49 | 22,000.00 | (2,084.51) |
| Other Benefits | 1,210.74 | 1,337.86 | 1,500.00 | (162.14) |
| Total Expenditures | 62,058.79 | 60,927.03 | $ 75,500.00 | $ (14,572.97) |
| Receipts Over(Under) Expenditures | 7,941.21 | (6,948.82) | | |
| Unencumbered Cash, Beginning | 172,334.01 | 180,275.22 | | |
| Unencumbered Cash, Ending | $ 180,275.22 | $ 173,326.40 | | |

Jarred Gilmore Phillips

Board of Commissioners
Parsons Recreation Commission
Parsons, Kansas

In planning and performing our audit of the financial statement of Parsons Recreation Commission, as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered Parsons Recreation Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Parsons Recreation Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of Parsons Recreation Commission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Commission's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in internal control to be material weaknesses:

Preparation of Financial Statements

Accounting standards state that the client must be able to accept responsibility and be able to identify a material misstatement when handed the financial statements, including footnotes. This would also include knowing if a required footnote disclosure was missing or not correctly stated. Presently, the Commission staff does not have the ability to process and prepare the required financial statements, including footnotes. While we recognize that this condition is not unusual for an entity your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial reporting of the District and changes in reporting requirements.

Segregation of Duties

An internal control structure is, quite simply, the procedures and policies in effect which ensure that the Commission's financial activity is properly recorded, processed, summarized, and reported in the financial statements. A weakness in the control structure occurs when one person is responsible for all of the accounting activities such as receipt of cash, preparing the bank deposits, reconciling the bank account, and preparing cash payments.

Misreporting of W-2 Wages

During the audit of payroll expenditures per the financials compared to what was reported to the IRS on the 941's, it was discovered that an employee received payment from the Commission for work they performed that was not reported on their W-2. The Commission needs to be aware of all amounts paid to employees for work they have performed and correctly report those amounts as W-2 wages.

This communication is intended solely for the information and use of management, the Board of Commissioners, and others within Parsons Recreation Commission, and is not intended to be, and should not be, used by anyone other than these specified parties.

Jarred, Gilmore & Phillips, PA

JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

Chanute, Kansas
December 10, 2021