

**PARSONS RECREATION
COMMISSION**

Independent Auditors' Report and
Financial Statement with
Supplementary Information

For the Year Ended June 30, 2018

PARSONS RECREATION COMMISSION

June 30, 2018

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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, 2018, 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, 2018, 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, 2018, 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, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and disbursements-agency funds (Schedules 1, 2 and 3 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.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

April 16, 2017
Chanute, Kansas

PARSONS RECREATION COMMISSIONSummary Statement of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis

For the Year Ended June 30, 2018

Funds	Beginning		Receipts	Expenditures	Ending		Add Encumbrances and Accounts Payable	Ending Cash June 30, 2018
	Unencumbered Cash Balance	Cash Balance			Unencumbered Cash Balance	Cash Balance		
General	\$ 56,925.35	\$ 633,773.00	\$ 597,214.02	\$ 93,484.33	\$ 28,035.15	\$ 121,519.48		
Special Purpose Funds:								
Employee Benefits	181,490.24	58,744.96	68,084.29	172,150.91	4,764.91	176,915.82		
Total Reporting Entity	\$ 238,415.59	\$ 692,517.96	\$ 665,298.31	\$ 265,635.24	\$ 32,800.06	\$ 298,435.30		
Composition of Cash:								
Cash on Hand						\$ 420.00		
General Checking Account						221,314.70		
Activity Checking Accounts						62,083.61		
Certificates of Deposit						34,485.31		
Total Cash and Investments						318,303.62		
Less: Agency Funds reported on Schedule 3						(19,868.32)		
Total Reporting Entity (Excluding Agency Funds)						\$ 298,435.30		

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

PARSONS RECREATION COMMISSION

Notes to Financial Statement
June 30, 2018

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 2017-2018:

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, 2018.

At year-end, the Commission's carrying amount of deposits was \$317,883.62 and the bank balance was \$330,417.39. The bank balance was held by three banks resulting in a concentration of credit risk. Of the bank balance \$311,294.66 was covered by FDIC insurance and \$19,122.73 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 has entered into a capital lease agreement dated September 11, 2017, to purchased a 2006 Dodge Ram 1500. The Commission agreed to make 48 monthly payments of \$205.92, including interest at 2.75%.

2019	\$ 2,471.04
2020	2,471.04
2021	2,471.04
2021	<u>370.95</u>
Total Net Minimum Lease Payments	7,784.07
Less: Imputed Interest	<u>(357.06)</u>
Net Present Value	7,427.01
Less: Current Maturities	<u>(2,288.73)</u>
Long-Term Capital Lease Obligations	<u>\$ 5,138.28</u>

6. LONG-TERM DEBT

Changes in long-term debt for the Parsons Recreation Commission for the year ended June 30, 2018, 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	\$ -	\$ 9,350.00	\$ 1,922.99	\$ 7,427.01	\$ 177.01
Total Contractual Indebtedness					\$ -	\$ 9,350.00	\$ 1,922.99	\$ 7,427.01	\$ 177.01

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

Issue	2019	2020	2021	2022	Total
Principal					
Capital Lease 2006 Dodge Ram 1500	\$ 2,288.73	\$ 2,352.16	\$ 2,417.97	\$ 368.15	\$ 7,427.01
Total Principal	2,288.73	2,352.16	2,417.97	368.15	7,427.01
Interest					
Capital Lease 2006 Dodge Ram 1500	182.31	118.88	53.07	2.80	357.06
Total Interest	182.31	118.88	53.07	2.80	357.06
Total Principal and Interest	\$ 2,471.04	\$ 2,471.04	\$ 2,471.04	\$ 370.95	\$ 7,784.07

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 8.39% for the fiscal year ended December 31, 2018. Contributions to the pension plan from Parsons Recreation Commission were \$19,150.32 for the year ended June 30, 2018.

Net Pension Liability

At June 30, 2018, the Parsons Recreation Commission's proportionate share of the collective net pension liability reported by KPERS was \$140,243.00. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018. 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, 2018

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 \$8,593.72. 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. SUBSEQUENT EVENTS

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

SUPPLEMENTARY INFORMATION

Schedule 1

PARSONS RECREATION COMMISSION
Summary of Expenditures - Actual and Budget
Regulatory Basis
(Budgeted Funds Only)
For the Year Ended June 30, 2018

Funds	Certified Budget	Adjustments for Qualifying Budget Credits	Total Budget for Comparison	Expenditures		Variance - Over (Under)
				Chargeable to Current Year		
General	\$ 700,400.00	\$ 30,945.63	\$ 731,345.63	\$ 597,214.02	\$	(134,131.61)
Special Purpose Funds:						
Employee Benefits	81,000.00	-	81,000.00	68,084.29		(12,915.71)

PARSONS RECREATION COMMISSION
GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2018

	Current Year		Variance - Over (Under)
	Actual	Budget	
Receipts			
Taxes and Shared Receipts			
Appropriations from			
USD #503	\$ 307,652.38	\$ 305,000.00	\$ 2,652.38
Charges for Services			
Fees and Charges	229,685.81	240,000.00	(10,314.19)
Use of Money and Property			
Interest	187.61	500.00	(312.39)
Rental Receipts	7,192.00	-	7,192.00
Other Receipts			
Donations	45,000.00	-	45,000.00
Reimbursed Expense	30,945.63	45,000.00	(14,054.37)
Miscellaneous	13,109.57	111,000.00	(97,890.43)
Total Receipts	<u>633,773.00</u>	<u>\$ 701,500.00</u>	<u>\$ (67,727.00)</u>
Expenditures			
Personal Services	255,361.15	\$ 427,000.00	\$ (171,638.85)
Contractual Services	256,100.66	100,000.00	156,100.66
Commodities	23,693.84	30,000.00	(6,306.16)
Capital Outlay	62,058.37	143,400.00	(81,341.63)
Total Certified Budget		700,400.00	(103,185.98)
Adjustments for Qualifying			
Budget Credits		30,945.63	(30,945.63)
Total Expenditures	<u>597,214.02</u>	<u>\$ 731,345.63</u>	<u>\$ (134,131.61)</u>
Receipts Over(Under) Expenditures	36,558.98		
Unencumbered Cash, Beginning	<u>56,925.35</u>		
Unencumbered Cash, Ending	<u>\$ 93,484.33</u>		

PARSONS RECREATION COMMISSION
EMPLOYEE BENEFITS FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2018

	Current Year		Variance - Over (Under)
	Actual	Budget	
Receipts			
Taxes and Shared Receipts			
Appropriations from USD #503	\$ 58,744.96	\$ 57,000.00	\$ 1,744.96
Total Receipts	58,744.96	<u>\$ 57,000.00</u>	<u>1,744.96</u>
Expenditures			
Employee Benefits			
Health Insurance	25,612.06	\$ 30,000.00	\$ (4,387.94)
FICA/Medicare Taxes	18,581.43	25,000.00	(6,418.57)
Workmen's Compensation	2,404.00	1,000.00	1,404.00
Unemployment Taxes	1,218.50	1,000.00	218.50
KPERS	19,150.32	23,000.00	(3,849.68)
Other Benefits	1,117.98	1,000.00	117.98
Total Expenditures	68,084.29	<u>\$ 81,000.00</u>	<u>\$ (12,915.71)</u>
Receipts Over(Under) Expenditures	(9,339.33)		
Unencumbered Cash, Beginning	181,490.24		
Unencumbered Cash, Ending	<u>\$ 172,150.91</u>		

PARSONS RECREATION COMMISSION
AGENCY FUNDS
Schedule of Receipts and Disbursements
Regulatory Basis
For the Year Ended June 30, 2018

Funds	Beginning Cash Balance	Receipts	Disbursements	Ending Cash Balance
Beardmore Project	\$ 19,854.32	\$ 14.00	\$ -	\$ 19,868.32
	<u>\$ 19,854.32</u>	<u>\$ 14.00</u>	<u>\$ -</u>	<u>\$ 19,868.32</u>



Board of Commissioners
Parsons Recreation Commission
Parsons, Kansas

In planning and performing our audit of the financial statements of Parsons Recreation Commission as of and for the year ended June 30, 2018, 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 and other deficiencies that we consider to be significant deficiencies.

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 District'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.

Jarred, Gilmore & Phillips, PA
CERTIFIED PUBLIC ACCOUNTANTS

412 W. MAIN, P.O. BOX 97
NEODESHA, KANSAS 66757
(620) 325-3430

1815 S. SANTA FE, P.O. BOX 779
CHANUTE, KANSAS 66720
(620) 431-6342

16 W. JACKSON
IOLA, KANSAS 66749
(620) 365-3125

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Credit Cards

During our testing of Commission credit cards accounts, we identified some charges that did not contain adequate supporting documentation. We would like to point out that all disbursements of the Commission should be supported by a written claim against the Commission and the Commission charge cards and accounts should not be used for personal use. Unsupported disbursements could be cause for unallowable expenses under current Kansas statutes and items could be perceived to be for personal use. While the unsupported charges appeared to be for legitimate Commission expenses, the Commission is approving and paying bills without all the required supporting documentation necessary. We recommend a policy be put into place that requires all support be turned into the Commission and prohibits the personal use of Commission credit cards and charge accounts in all situations. If it is inadvertently used for personal use, the policy should include provisions that include reimbursement of personal expenses within a certain time period. Charges on a credit card or on a charge account should not be paid without proper supporting documentation. It was also brought to our attention that a large credit balance was being carried on the credit card at year-end. This is a result of the credit card bill not being reconciled in a timely manner. It is recommended that the credit card bill be reconciled on a monthly basis to verify charges are appropriately being expensed and paid for when the credit card bill is received, with supporting documentation.

Activity Fee Collections

We would also encourage the Commission to monitor the balance of activity fees at each month's end in comparison with the totals from your activity fee collection software each month. This can be accomplished by reviewing and approving the reports generated from the Commissions software. Total cash collections per this reconciliation should tie with cash receipts reported to you in the financial statements on QuickBooks. Computerized ledgers of each of the above should be kept and reviewed by the Commission Board of Commissioners monthly and available for review by the auditors.

Capital Lease Agreements

During the year ended June 30, 2018, the manager signed a capital lease agreement for Dodge pickup to be used by the Commission. This capital lease agreement include interest at 2.86% and was not authorized or approved by the Board of Commissioners. We recommend a policy be put into place that requires all debt issued by the Commission be approved by the Board of Commissioners.

This communication is intended solely for the information and use of management 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.

Very truly yours,



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

April 16, 2019
Chanute, Kansas