

**COFFEY COUNTY**  
**HOUSING AUTHORITY**  
Burlington, Kansas

Independent Auditors' Report and  
Financial Statement with  
Supplementary Information

For the Year Ended December 31, 2019

**COFFEY COUNTY HOUSING AUTHORITY**  
Burlington, Kansas

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

**INDEPENDENT AUDITORS' REPORT**

Board of Commissioners  
Coffey County Housing Authority  
Burlington, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Coffey County Housing Authority, Burlington, Kansas, a related municipal entity of the Coffey County, Kansas, as of and for the year ended December 31, 2019, 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 Authority'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 Authority'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 Coffey County Housing Authority 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 Coffey County Housing Authority as of December 31, 2019, 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 Coffey County Housing Authority as of December 31, 2019, 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 individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedule 1 as listed in the table of contents) is presented for analysis and is 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 Coffey County Housing Authority as of and for the year ended December 31, 2018 (not presented herein), and have issued our report thereon dated April 16, 2019, which contained an unmodified opinion on the basic financial statement. The 2018 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/chief-financial-officer/municipal-services>. The 2018 actual column (2018 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures-actual and budget for the year ended December 31, 2019 (Schedule 1 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 2018 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 2018 basic financial statement. The 2018 comparative information was subjected to the auditing procedures applied in the audit of the 2018 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 2018 basic financial statement or to the 2018 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 2018 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended December 31, 2018, on the basis of accounting described in Note 1.

A handwritten signature in cursive script that reads "Jarred, Gilmore & Phillips, PA".

JARRED, GILMORE & PHILLIPS, PA  
Certified Public Accountants

June 02, 2020  
Chanute, Kansas

**COFFEY COUNTY HOUSING AUTHORITY**

Burlington, Kansas

Summary Statement of Receipts, Expenditures, and Unencumbered Cash  
Regulatory Basis

For the Year Ended December 31, 2019

Funds	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Cash Balances December 31, 2019
General	\$ 247,231.59	\$ 253,864.84	\$ 193,125.04	\$ 307,971.39	\$ 7,905.81	\$ 315,877.20
Special Revenue Funds:						
Grants	-	65,919.55	79,668.88	(13,749.33)	-	(13,749.33)
Building	117,105.39	1,484.05	10,791.08	107,798.36	-	107,798.36
Total Reporting Entity	\$ 364,336.98	\$ 321,268.44	\$ 283,585.00	\$ 402,020.42	\$ 7,905.81	\$ 409,926.23
Composition of Cash						
Petty Cash Account .....						\$ 250.00
General Fund Account.....						36,034.17
Building Fund Account.....						122,270.51
Investments.....						194,965.27
TriPlex #1.....						18,257.93
Grant Fund.....						38,148.35
Total Cash						\$ 409,926.23

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

**COFFEY COUNTY HOUSING AUTHORITY**  
Burlington, Kansas

Notes to Financial Statement  
December 31, 2019

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statement and schedules of the Coffey County Housing Authority, Burlington, Kansas, have been prepared in order to show compliance with the cash basis 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 Authority's accounting policies follow. Note 1 describes how the Authority's accounting policies differ from generally accepted accounting policies.

Financial Reporting Entity

The Coffey County Housing Authority (Authority) is a municipality of the State of Kansas organized under K.S.A. 12-1219, with a five-member Board of Commissioners appointed by Coffey County, Kansas. The Authority is a related municipal entity of Coffey County, Kansas.

*Related Municipal Entities:* A related municipal entity is determined by the following criteria. Whether the Authority 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 Authority. Related municipal entities are not required to be included in the Authority's audit by the Kansas Municipal Audit and Accounting Guide (KMAAG). Based upon the application of this criterion, there were not such related municipal entities.

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 Coffey County Housing Authority, for the year of 2019:

General fund – the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose funds – 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)

Basis of Presentation – Regulatory Basis of Accounting

*Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America.* The (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The 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.

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 revenues. In the financial statement and budget schedule comparisons presented in this report, reimbursements and refunds are recorded as revenues. The reimbursements are recorded as receipts when received by the Authority 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.

Pension Plan

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

Budgetary Information

The Authority is not subject to the Kansas budget laws as they are not the primary taxing authority for the Authority. Coffey County Kansas holds the taxing authority for the Authority. The Authority adopts an annual budget for the General Fund for managerial purposes. The budget comparison on Schedule 1 reflects this internal managerial budget.

**2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Compliance with Kansas Statutes

As shown in Statement 1, the Authority was in apparent violation with K.S.A. 10-1,113. The Authority has obligated expenditures in excess of available monies in the Grants Fund, however, K.S.A 10-1,116 provides that under certain situations, the funds can end the year with a negative unencumbered cash balance and therefore, exempt from the cash basis laws of the State of Kansas. This fund met the criteria under the statutes and therefore, is deemed not to be in violation of the Kansas cash basis law.



### **3. DEPOSITS AND INVESTMENTS**

K.S.A 9-1401 establishes the depositories which may be used by the Authority. The statute requires banks eligible to hold the Authority's funds have a main branch or branch bank in the county in which the Authority 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 Authority has no other policies that would further limit interest rate risk.

K.S.A 12-1675 limits the Authority'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 Authority has no investment policy that would further limit its investment choices.

*Concentration of credit risk:* State statutes place no limit on the amount the Authority 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 Authority's deposits may not be returned to it. State statutes require the Authority'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 December 31, 2019.

At year-end, the Authority's carrying amount of deposits was \$409,926.23 and the bank balance was \$422,690.21. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$310,699.90 was covered by FDIC insurance, and \$111,990.31 was collateralized with pledged securities held by the pledging financial institutions' agents in the Authority's name.

### **4. OPERATING LEASES**

The Authority has entered into an operating leases for rent of office space. Rent expense for the year ended December 31, 2019, was \$5,400.00. Under the current lease agreement, this agreement is month to month, therefore there are no future minimum payments to disclose.

### **5. DEFINED BENEFIT PENSION PLAN**

#### General Information about the Pension Plan

*Plan description.* The Authority 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](http://www.kpers.org) or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

## **5. DEFINED BENEFIT PENSION PLAN (Continued)**

*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 8.89% for the fiscal year ended December 31, 2019. Contributions to the pension plan from the Housing Authority were \$7,542.79 for KPERS for the year ended December 31, 2019.

### Net Pension Liability

At December 31, 2019, The Authority's proportionate share of the collective net pension liability reported by KPERS was \$56,426.00. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018, which was rolled forward to June 30, 2019. The Authority's proportion of the net pension liability was based on the ratio of the Authority'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](http://www.kpers.org) or can be obtained as described above.

## **6. RISK MANAGEMENT**

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

## **7. 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, 2019.

Under the consolidated Omnibus Budget Reconciliation Act (COBRA), the Authority 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 Authority under this program.

### *Compensated Absences:*

Regular employees earn and accumulate vacation based on position and years of service. Earned vacation ranges from 2-4 weeks, increasing after one, ten, and fifteen years of service, for each eligible employee.

Employees may carry over vacation time from one calendar year to the next but shall not carry over more than 120-240 hours to any subsequent calendar year, depending on years of service.

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

1. The Authority'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.

In accordance with the above criteria, the Authority has estimated a liability for vacation pay, which has been earned, but not taken by Authority employees of \$8,985.02. The Authority has not estimated a liability for sick leave earned, but not taken, by Authority employees, as the amounts cannot be reasonably estimated at this time.

## **8. SUBSEQUENT EVENTS**

The Authority evaluated events and transactions occurring subsequent year end, and there were no subsequent events requiring recognition in the financial statement. However, in December 2019, a novel strain of coronavirus ("COVID-19") was reported in Wuhan, China. The World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern." The U.S. government has implemented enhanced screenings, quarantine requirements and travel restrictions in connection with the COVID-19 outbreak. The extent of the impact of the COVID-19 on the Authority's operational and financial performance will depend on future developments, including the duration and spread of the outbreak and related travel advisories and restrictions and the impact of the COVID-19. Results of operations for full year 2020 may be materially adversely affected due to restricted activities and rental income collection laws and regulations.

## **SUPPLEMENTARY INFORMATION**

**COFFEY COUNTY HOUSING AUTHORITY**

Burlington, Kansas

**GENERAL FUND**

Schedule of Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2019

(With Comparative Actual Amounts for the Prior Year Ended December 31, 2018)

		Current Year			Variance -
	Prior Year Actual	Actual	Budget		Over Under
Receipts					
Taxes and Shared Receipts					
Coffey County Appropriation	\$ 221,000.00	\$ 221,000.00	\$ 225,000.00	\$	(4,000.00)
Assistance Income	7,161.83	4,841.57	46,200.00		(41,358.43)
Use of Money and Property					
Interest Income	4,630.54	3,116.86	500.00		2,616.86
Rental TriPlex	19,800.00	20,350.00	-		20,350.00
Other Receipts					
Reimbursements	4,642.29	945.91	3,000.00		(2,054.09)
Miscellaneous	149.83	3,610.50	-		3,610.50
Total Receipts	<u>257,384.49</u>	<u>253,864.84</u>	<u>\$ 274,700.00</u>	<u>\$</u>	<u>(20,835.16)</u>
Expenditures					
Culture and Recreation					
Personal Services	101,053.31	106,436.85	\$ 96,700.00	\$	9,736.85
Contractual Services	27,868.89	30,625.02	36,000.00		(5,374.98)
Commodities	7,977.28	10,045.62	10,000.00		45.62
Capital Outlay	-	25,750.00	5,000.00		20,750.00
Developers Incentive	-	-	10,000.00		(10,000.00)
Demolition	-	2,000.00	10,000.00		(8,000.00)
Home Rehabilitation	34,821.12	7,320.19	57,000.00		(49,679.81)
TriPlex #1					
Contractual Services	11,376.53	10,947.36	-		10,947.36
Operating Transfers to Grants Fund	<u>33,263.03</u>	<u>-</u>	<u>50,000.00</u>		<u>(50,000.00)</u>
Total Expenditures	<u>216,360.16</u>	<u>193,125.04</u>	<u>\$ 274,700.00</u>	<u>\$</u>	<u>(81,574.96)</u>
Receipts Over(Under) Expenditures	41,024.33	60,739.80			
Unencumbered Cash, Beginning	<u>206,207.26</u>	<u>247,231.59</u>			
Unencumbered Cash, Ending	<u>\$ 247,231.59</u>	<u>\$ 307,971.39</u>			

**COFFEY COUNTY HOUSING AUTHORITY**

Burlington, Kansas

**GRANTS FUND**

Schedule of Receipts and Expenditures - Actual

Regulatory Basis

For the Year Ended December 31, 2019

(With Comparative Actual Amounts for the Prior Year Ended December 31, 2018)

	Prior Year Actual	Current Year Actual
Receipts		
Taxes and Shared Receipts		
Federal Grants	\$ 36,166.97	\$ 65,000.00
Other Receipts		
Reimbursed Expense	-	919.55
Operating Transfers from General Fund	33,263.03	-
Total Receipts	69,430.00	65,919.55
Expenditures		
Home Rehab	69,430.00	79,668.88
Total Expenditures	69,430.00	79,668.88
Receipts Over(Under) Expenditures	-	(13,749.33)
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	\$ -	\$ (13,749.33)

**COFFEY COUNTY HOUSING AUTHORITY**

Burlington, Kansas

**BUILDING FUND**

Schedule of Receipts and Expenditures - Actual

Regulatory Basis

For the Year Ended December 31, 2019

(With Comparative Actual Amounts for the Prior Year Ended December 31, 2018)

	Prior Year Actual	Current Year Actual
Receipts		
Use of Money and Property		
Rent to Own Sales	\$ 4,000.00	\$ -
Sale of Assets	666.00	-
Interest Income	2,785.61	1,484.05
Total Receipts	7,451.61	1,484.05
Expenditures		
Home Construction	209,789.53	-
Miscellaneous	100.00	10,791.08
Total Expenditures	209,889.53	10,791.08
Receipts Over(Under) Expenditures	(202,437.92)	(9,307.03)
Unencumbered Cash, Beginning	319,543.31	117,105.39
Unencumbered Cash, Ending	\$ 117,105.39	\$ 107,798.36



Board of Commissioners  
Coffey County Housing Authority  
Burlington, Kansas

In planning and performing our audit of the financial statement of Coffey County Housing Authority, as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered Coffey County Housing Authority'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 Coffey County Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Coffey County Housing Authority'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 entity'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 Statement

Accounting standards states the client must be able to accept responsibility and be able to identify a material misstatement when reviewing the financial statement, including footnotes and supplemental information. This would also include knowing if a required footnote disclosure was missing or not correctly stated. Presently, the Authority staff does not have the ability to process and prepare the required financial statement, including footnotes. The potential effects of this material weakness could be unrecognized errors on the financial statement. While we recognize that this condition is not unusual for an authority 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 Authority and changes in reporting requirements.

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**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

[www.jgppa.com](http://www.jgppa.com)



### Segregation of Duties

An internal control structure is, quite simply, the procedures and policies in effect which ensure that the Authority's financial activity is properly recorded, processed, summarized, and reported in the financial statement. A weakness in the control structure occurs when one person is responsible for all of the accounting activities such as performing billings, receipting cash, making deposits, reconciling the bank accounts, and having access to all books and records of the Authority. Due to small staff size, it is not possible for reviews of daily work to take place, potentially resulting in errors in financial records and reports. We would remind the Authority board members responsible for approval and the signing of checks to be diligent in his/her responsibilities. All disbursements approved should have original invoices attached and should be reviewed thoroughly before approval.

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

A handwritten signature in cursive script that reads "Jarred, Gilmore & Phillips, PA".

JARRED, GILMORE & PHILLIPS, PA  
Certified Public Accountants

Chanute, Kansas  
June 02, 2020