OTTAWA RECREATION COMMISSION

Ottawa, Kansas

FINANCIAL STATEMENT

June 30, 2024

VARNEY & ASSOCIATES, CPAs, LLC
Manhattan, Kansas

OTTAWA RECREATION COMMISSION
Ottawa, Kansas
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VARNEY
& ASSOCIATES, CPAs, LLC

September 30, 2025

Board of Directors
Ottawa Recreation Commission
Ottawa, Kansas

Independent Auditor's Report

Adverse and Unmodified Opinions
We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Ottawa Recreation Commission (the Commission), as of and for the year ended June 30, 2024 and the related notes to the financial statement.

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 and Unmodified Opinions section of our report, the accompanying 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 Commission as of June 30, 2024, 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 accompanying financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Commission as of June 30, 2024, and the aggregate receipts and expenditures for they year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* (KMAAG) described in Note 1.

Basis for Adverse and Unmodified Opinions
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and KMAAG. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

Matter Giving Rise to the Adverse Opinion on U.S. Generally Accepted Accounting Principles
As discussed in Note 1 of the financial statement, the financial statement is prepared by the Commission on the basis of the financial reporting provisions of the KMAAG, 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.

Responsibilities of Management for the Financial Statement
Management is responsible for the preparation and fair presentation of the financial statement in accordance with KMAAG 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 under the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

1501 Poyntz Avenue
Manhattan, KS 66502
785-537-2202 • fax 785-537-1877
http://www.varney.com
1102 Commercial St., Suite A
Emporia, KS 66801

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and expenditures-agency funds (Schedules 1 and 2 as listed in the table of contents) are presented for purposes of additional analysis and are not required part of the basic financial statement; however, are required to be presented under the provisions of the KMAAG. 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 accompanying supplementary 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.

Supplementary Information (Continued)

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the Commission as of and for the year ended June 30, 2023 (not presented herein), and have issued our report thereon dated August 22, 2024, which contained an unmodified opinion on the basic financial statement. The 2022 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the website of the Kansas Department of Administration at the following link https://admin.ks.gov/offices/oar/municipal-services. The 2023 actual column (2023 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures-actual and budget for the year ended June 30, 2024 (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 2023 comparative information was subjected to the auditing procedures applied in the audit of the 2023 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 2023 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 2023 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, 2024, on the basis of accounting described in Note 1.

Varney & Associates, CPAs, LLC

Certified Public Accountants
Manhattan, Kansas

OTTAWA RECREATION COMMISSION
Ottawa, Kansas
SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
Regulatory Basis
For the Year Ended June 30, 2024

	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
GOVERNMENTAL TYPE FUNDS							
General Fund	$ 1,450,656	$ -	$ 1,378,656	$ 1,184,716	$ 1,644,596	$ 15,315	$ 1,659,911
Special Purpose Funds							
Employee Benefits	110,479	(30,168)	198,930	227,815	51,426	7,303	58,729
Total Reporting Entity	$ 1,561,135	$ (30,168)	$ 1,577,586	$ 1,412,531	$ 1,696,022	$ 22,618	$ 1,718,640

Composition of Cash	
Bank Midwest	$ 667,785
The Kansas State Bank	330,430
Goppert State Service Bank	157,956
Oak Star Bank	240,044
Patriots Bank	309,537
Bill.com Money Clearing	12,788
Petty cash	100
	$ 1,718,640

See Independent Auditor's Report.
The accompanying notes are an integral part of this financial statement.

OTTAWA RECREATION COMMISSION
Ottawa, Kansas
NOTES TO FINANCIAL STATEMENT
June 30, 2024

Note 1: Municipal Reporting Entity

Ottawa Recreation Commission (the Commission,) is a related municipal entity of Unified School District No. 290 (the District). The Commission operates as a separate governing body but the District levies the tax for the Commission and the Commission only has the power granted by statutes, K.S.A. 12-1928. The Commission cannot purchase real property but can acquire real property by gift. The five members of the Commission's governing body are appointed as follows: two by the District, two by the City of Ottawa, and one by the District's and City's appointees. The Commission has no related municipal entities.

Regulatory Basis Fund Types

The following types of governmental funds comprise the financial activities of the Commission for the year ended June 30, 2024:

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 revenues sources that are intended for specific purposes.

Bond and Interest Fund - used to account for the accumulation of resources, including tax levies, transfers from other funds and used to make payments of general long-term debt. The Commission did not have any funds of this type for the current year.

Capital Project Fund - used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment. The Commission did not have any funds of this type for the current year.

Business Fund - funds financed in whole or part by fees charged to users of goods or services (i.e. enterprise and internal service funds etc.). The Commission did not have any funds of this type for the current year.

Trust Fund - funds used to report assets held in trust for the benefit of the municipal financial reporting entity (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipality reporting entity). The Commission did not have any funds of this type for the current year.

Agency Fund - funds used to report assets held by the municipal reporting entity in purely a custodial capacity (payroll clearing fund). The Commission did not have any funds of this type for the current year.

Basis of Accounting

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

The Commission has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Library to use the regulatory basis of accounting.

Note 2: Budgetary Information

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

1. Preparation of budget for the succeeding calendar year on or before August 1st.

2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.

3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.

4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipts other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the year ended June 30, 2024.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

Adjustment for Qualifying Budget Credits - Municipalities may use this line item for any budgeted fund. The adjustment would be a positive amount. All budget adjustments must be authorized by Kansas statutes. Examples include: expenditure of federal grant monies, gifts and donations, and receipts authorized by law to be spent as if they were reimbursed expenses.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which regulatory receipts are recognized when cash is received and expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for the prior year's accounts payable and encumbrances. Encumbrances are commitments by the Commission for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

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.

Note 3: Deposits and Investments

Deposits. K.S.A. 9-1401 establishes the depositories which may be used by the Commission. The statute requires banks eligible to hold the Commission's funds have a main or branch bank in the county in which the Commission is located, 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.

Investments. K.S.A. 12-1675 limits the Commission's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Commission has no investment policy that would further limit its investment choices. As of June 30, 2024, the Commission held no investments.

Note 3: Deposits and Investments (Continued)

Concentration of credit risk. State statutes place no limit on the amount the Commission may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. State statutes require the Commission's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Commission has no designated "peak periods."

Custodial credit risk - investments: For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments be adequately secured. The Commission (other than the Endowment as described below) had no such investments at year end.

At June 30, 2024, the Commission's carrying amount of deposits was $1,718,540 and the bank balance was $1,770,564. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, $1,148,000 was covered by federal depository insurance and the remaining balance was collateralized with securities held by the pledging financial institutions' agents in the Commission's name.

Note 4: Interfund Transfers

There were no transfers between funds in 2024.

Note 5: Long-Term Debt

Following is a summary of long-term debt transactions of the Commission for the year ended June 30, 2024:

Issue	Beginning of Year	Additions	Reductions/ Payments	End of Year	Interest Paid
Recreation Facility	$ 818,000	$ -	$ 81,000	$ 737,000	$ 19,055

Recreation Facility. On July 1, 2010, the Commission has entered into an agreement with the Ottawa Unified School District No. 290 to build a new recreation facility. The future minimum payment obligations under this agreement are as follows:

Year Ended June 30	Principal	Interest	Total
2025	86,000	16,726	102,726
2026	84,000	14,677	98,677
2027	88,000	12,604	100,604
2028	92,000	10,435	102,435
2029	96,000	8,170	104,170
2030	94,000	5,881	99,881
2031	97,000	3,579	100,579
2032	100,000	1,205	101,205
	$ 737,000	$ 73,277	$ 810,277

Note 5: Long-Term Debt (Continued)

Compensated Absences: Full time employees may accrue vacation at varying intervals according to length of service up to a maximum of 200 hours. Vacation is paid upon resignation or retirement.

Sick leave accrues at the rate of 8 hours per month for full-time employees, up to a maximum of 480 hours. Employees must be with the Commission for six months before they may take sick pay. The Commission does not pay out unused sick pay upon termination.

Note 6: Defined Benefit Pension Plan

Plan Description. The Commission participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2, or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or 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 of 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, 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 9.26% for the fiscal year ended June 30, 2024. Contributions to the pension plan from (non-school municipality) were $32,192 for the year ended June 30, 2024.

At June 30, 2024, the Recreation Commission's proportionate share of the collective net pension liability reported by KPERS was $331,616. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021, which was rolled forward to June 30, 2022. The Recreation Commission's proportion of the net pension liability was based on the ratio of the Recreation Commission's contributions to KPERS, relative to the total employer and non-employer 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 this financial statement.

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

Note 7: Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Commission carries commercial insurance. Settlement of claims has not exceeded commercial insurance coverage in any of the last three fiscal years.

Note 8: Other Information

Compliance with Kansas Statutes: References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the State Director of Accounts and Reports and interpretation by the legal representative of the Commission.

Management is not aware of any statutory violations in the period covered by this audit.

Use of restricted versus unrestricted unencumbered cash and receipts: The Commission uses restricted unencumbered cash and receipts first when both restricted and unrestricted unencumbered cash or receipts are available.

Note 9: Subsequent Events

The Commission has evaluated subsequent events through the date of this financial statement, which is the date the financial statement was available to be issued.

REGULATORY-REQUIRED SUPPLEMENTARY INFORMATION

OTTAWA RECREATION COMMISSION
Ottawa, Kansas
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended June 30, 2024

Funds	Certified Budget	Adjustment to Comply with Legal Max	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
Governmental Type Funds:						
General Fund	$ 2,604,510	$ -	$ -	$ 2,604,510	$ 1,184,716	$ (1,419,794)
Employee Benefit Fund	227,000	-	-	227,000	227,815	815
Total Funds	$ 2,831,510	$ -	$ -	$ 2,831,510	$ 1,412,531	$ (1,418,979)

See Independent Auditor's Report.

OTTAWA RECREATION COMMISSION
Ottawa, Kansas
GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended June 30, 2024

	Actual	Budget	Variance - Over (Under)
RECEIPTS			
Ad Valorem tax	$ 901,037	$ 866,765	$ 34,272
Motor vehicle tax	78,534	76,500	2,034
Delinquent tax	14,214	16,995	(2,781)
Interest income	24,435	50	24,385
Facility rentals	42,175	-	42,175
Concessions	5,776	-	5,776
Grants	17,141	-	17,141
Adult programs	250,458	181,190	69,268
General operations	-	42,500	(42,500)
Miscellaneous	44,886	4,000	40,886
Total Cash Receipts	$ 1,378,656	$ 1,188,000	$ 190,656
EXPENDITURES			
Administration	$ 519,712	$ 589,750	$ (70,038)
Capital projects	291,076	129,500	161,576
Capital outlay	-	578,910	(578,910)
Facilities	93,194	192,000	(98,806)
Concessions	2,359	-	2,359
Tournaments	101	-	101
Adult programs	5,096	171,750	(166,654)
Youth programs	63,549	-	63,549
Utilities and services	57,096	-	57,096
Community center debt service	-	105,000	(105,000)
Fitness & wellness	13,505	-	13,505
Forest park pool	64,350	-	64,350
Special events	5,401	-	5,401
Budgeted encumbrance	-	600,000	(600,000)
Budgeted reserve	69,277	237,600	(168,323)
Total Expenditures	$ 1,184,716	$ 2,604,510	$ (1,419,794)
Cash receipts over (under) expenditures	$ 193,940		
Unencumbered Cash - Beginning	1,450,656		
Unencumbered Cash - Ending	$ 1,644,596		

See Independent Auditor's Report.

OTTAWA RECREATION COMMISSION
Ottawa, Kansas
EMPLOYEE BENEFITS
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended June 30, 2024

	Actual	Budget	Variance - Over (Under)
RECEIPTS			
Ad Valorem tax	$ 180,278	$ 207,500	$ (27,222)
Delinquent tax	2,852	3,500	(648)
Motor vehicle tax	15,800	16,000	(200)
Total Cash Receipts	$ 198,930	$ 227,000	$ (28,070)
EXPENDITURES			
Payroll taxes	$ 40,698	$ 42,000	$ (1,302)
Medical insurance	154,639	149,250	5,389
Retirement	32,192	35,000	(2,808)
Unemployment taxes	286	750	(464)
Total Expenditures	$ 227,815	$ 227,000	$ 815
Cash receipts over (under) expenditures	$ (28,885)		
Unencumbered Cash - Beginning	110,479		
Prior Period Correction	(30,168)		
Unencumbered Cash - Ending	$ 51,426		

See Independent Auditor's Report.