



Certified Public Accountants

BLUE VALLEY RECREATION COMMISSION

BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

BLUE VALLEY RECREATION COMMISSION
BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2021

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INDEPENDENT AUDITORS' REPORT

Blue Valley Recreation Commission
Overland Park, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Blue Valley Recreation Commission (the Commission), a component unit of Blue Valley Unified School District No. 229, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America: this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and applicable provisions of the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, 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 statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Blue Valley Recreation Commission, as of June 30, 2021, and the respective changes in financial position and the respective budgetary comparison for the General Fund and the Employee Benefits Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

BT&Co., P.A.

September 15, 2021
Topeka, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2021

This section of the Commission's annual financial statements presents its discussion and analysis of the Commission's financial performance during the fiscal year ended June 30, 2021. Please read it in conjunction with the Commission's financial statements, which immediately follow this section.

Financial Highlights

- The assets of the Commission exceeded its liabilities by \$ 30.5 million. Of this amount, \$ 7.6 million may be used to meet the Commission's ongoing obligations to creditors.
- The Commission's total net position increased by \$ 2.3 million.
- As of the close of the current fiscal year, the Commission's Governmental Funds reported combined ending fund balances of \$ 10,244,996, an increase of \$ 1,327,698 in comparison with the prior year. Of this total amount, \$ 7,397,191, is available for spending at the Commission's discretion (unassigned fund balance).
- The Commission's total debt decreased by \$ 1.9 million during the current fiscal year.

Overview of the Financial Statements

This annual report consists of two parts: management's discussion and analysis (this section) and the basic financial statements. These statements are organized so the reader can understand the Commission as a whole. The basic financial statements include two kinds of statements that present different views of the Commission. The first of the two kinds of statements are the Commission-wide financial statements, and the second kind of financial statements are the fund financial statements.

Commission-Wide Financial Statements

The Commission-wide financial statements include all assets and liabilities of the Commission using the accrual basis of accounting. This method of accounting is similar to how private sector companies report the results of their operations. These statements take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

The first of the Commission-wide statements is the Statement of Net Position. The Statement of Net Position presents balance information for the entire recreation commission operations at a given point in time (June 30, 2021). The assets include all cash and investments, receivables including taxes assessed that remain uncollected, and capital assets reduced by accumulated depreciation. Liabilities include accounts payable, accrued payroll earnings not yet paid, accrued interest payable, unearned revenue, and outstanding long-term debt in the form of Certificates of Participation. This results in a statement that encompasses the entire operation of the Commission.

Although the Statement of Net Position reports total net position of \$ 30,503,876, the Commission has restrictions over the use of these funds. The investment in facilities and equipment is necessary to carry out the mission of the Commission.

The second of the Commission-wide financial statements is the Statement of Activities. This statement shows the results of operations that caused the net position to change from the prior year to the amount reported on the Statement of Net Position as of June 30, 2021. This statement answers the question, "How did we do financially during fiscal year 2021?" This change in net position is important because it tells the reader that, for the commission as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors. Most notably, the results are influenced by:

- The property tax base.
- Number of patrons served,
- Staffing levels, and
- Changes in debt levels

The Statement of Activities classifies expenses by functional area. The report also shows corresponding charges for services for each function that helps support the expenses. The resulting Net (Expenses) Revenue and Changes in Net Position shows the remaining expenses not supported by charges for services. General revenues are then applied to the remaining expenses resulting in the total change in net position for the year.

Fund Financial Statements

Financial reports by fund follow the Commission-wide statements. As shown on the reconciliations on pages 12 and 14, the fund statements differ from the Commission-wide statements (Statement of Net Position and Statement of Activities) by excluding the following:

- Cost of capital assets less accumulated depreciation, and
- Long-term liabilities.

These reports provide more detail about the recreation commission according to the various funds established under Kansas law.

The Commission has only governmental funds.

Governmental Funds

Most of the Commission's activities are reported in the governmental funds, which focus on 1) how cash and other financial assets, that can be readily converted to cash, flow in and out and 2) the balances left at year end that are available for spending. The statements show revenue, expenditures, and fund balances for each listed fund.

The fund classifications provide additional information about the entity. Personnel, contractual obligations, commodities, capital outlay, and debt service comprise the bulk of the expenditures.

FINANCIAL ANALYSIS OF THE COMMISSION AS A WHOLE

The Commission's net position was more on June 30, 2021, than the year before, increasing by \$ 2.3 million to \$ 30.5 million. The following are the major components of the Commission's net position.

Condensed Statement of Net Position

Statement Classifications	Balance as of June 30, 2021	Balance as of June 30, 2020
Current Assets	\$ 11,277,532	\$ 9,915,439
Net Capital Assets	42,595,685	43,568,470
Total Assets	<u>53,873,217</u>	<u>53,483,909</u>
Current Liabilities	3,452,643	3,389,425
Non-current Liabilities	19,916,698	21,921,545
Total Liabilities	<u>23,369,341</u>	<u>25,310,970</u>
Net Position		
Net Investment in Capital Assets	20,674,141	19,712,079
Restricted	2,192,548	2,537,044
Unrestricted	7,637,187	5,923,816
Total Net Position	<u>\$ 30,503,876</u>	<u>\$ 28,172,939</u>

This includes an increase in assets of approximately \$ 389,000 and a decrease in outstanding liabilities of \$ 1.9 million. Net position includes \$ 20.7 million invested in capital assets and \$ 7.6 million unrestricted.

The total costs of all programs and services amounted to \$ 11.3 million. The following table shows the breakdown of total costs by functional area:

Expense Function	Percentage of Total
Culture and Recreation	93.52%
Interest on Long-term Debt	6.48%

Total revenues exceeded expenses, increasing net position by \$ 2.3 million over last year.

Condensed Statement of Activities

	Totals for the year ended June 30, 2021	Totals for the year ended June 30, 2020
<u>Revenues</u>		
Program Revenues		
Charges for Services	\$ 5,310,478	\$ 5,199,041
General Revenues		
Property Taxes	8,203,680	7,918,802
Investment Earnings	60,648	242,143
Miscellaneous	90,240	89,710
Total Revenues	<u>13,665,046</u>	<u>13,449,696</u>
<u>Expenses</u>		
Culture and Recreation	10,599,634	10,871,592
Interest on Long-term Debt	734,475	785,367
Total Expenses	<u>11,334,109</u>	<u>11,656,959</u>
Increase in Net Position	<u>\$ 2,330,937</u>	<u>\$ 1,792,737</u>

The table above details the Commission's changes in net position for the year. The Commission's total revenues amounted to \$ 13.7 million. Charges for services and property taxes account for most of the Commission's revenue, with charges for services contributing 39% and property taxes contributing 60%. Another 1% came from other local sources and investment earnings.

Charges for services increased \$ 111,000 from the year ended June 30, 2020 to the year ended June 30, 2021, a 2.1% increase.

FINANCIAL ANALYSIS OF THE COMMISSION'S FUNDS

As the Commission completed the year, its governmental funds reported combined fund balances of \$ 10.2 million; a \$ 1.3 million increase from last year's ending fund balance of \$ 8.9 million. Revenues of \$ 13.6 million exceeded expenditures of \$ 12.3 million accounting for an increase in fund balance.

Kansas State law requires the use of various funds. The primary funds used by the Commission are the General, and Employee Benefits Funds. The major categories of revenues and expenditures are provided in the following table to simplify the budget analysis.

Analysis of Budget Variations

The following table summarizes the General Fund budget variances in revenues (in millions of dollars):

	Original/Final Budget	Actual Revenues (Budgetary Basis)	Over (Under) Budget
<u>Revenue</u>			
Taxes	\$ 7,321,106	\$ 7,276,998	\$ (44,108)
Charges for Services	7,312,380	5,295,486	(2,016,894)
Investment Revenue	110,000	60,648	(49,352)
Other Local Sources	-	59,840	59,840
Total Revenues	<u>\$ 14,743,486</u>	<u>\$ 12,692,972</u>	<u>\$ (2,050,514)</u>

Charges for services were below budget due to reduction in services required as a result of the pandemic beginning in March 2020 and continuing into the year ended June 30, 2021.

The following table summarizes the General Fund budget variances in expenditures:

	Original/Final Budget	Actual Expenditures (Budgetary Basis)	Over (Under) Budget
<u>Expenditures</u>			
Personnel	\$ 6,331,334	\$ 5,122,697	\$ (1,208,637)
Contractual	2,498,863	1,507,178	(991,685)
Commodities	1,914,400	1,376,456	(537,944)
Capital Outlay	1,221,084	831,696	(389,388)
Principal Payment	1,835,000	1,835,000	-
Interest on Long-term Debt	850,000	849,898	(102)
Total Expenditures	<u>\$ 14,650,681</u>	<u>\$ 11,522,925</u>	<u>\$ (3,127,756)</u>

The final budget was not amended from the original budget. All budget categories were under budget as a result of program cuts and reductions required as a result of the pandemic that continued throughout the year ended June 30, 2021.

Capital Asset and Debt Administration

Capital Assets

By the end of 2021, the Commission had invested \$ 42.6 million in a broad range of capital assets, including athletic facilities, maintenance equipment, field equipment, concessions equipment, vehicles, computer equipment, and administrative offices. This amount represents a net decrease of \$ 972,000 from last year. Total depreciation expense for the year was \$ 1.3 million.

Long-Term Debt

As of June 30, 2021, the Commission has \$ 21.9 million of outstanding debt. Outstanding debt decreased \$ 1.9 million from last year as a result of continued pay off of debt principal.

More information regarding the Commission's capital assets and long-term debt can be found in the notes to the financial statements.

Contacting the Commission's Financial Management

This financial report is designed to provide the Commission's taxpayers, customers, and creditors with a general overview of the Commission's finances and to demonstrate the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance and Administration Department, Blue Valley Recreation Commission, 6545 W. 151st Street, Overland Park, Kansas 66223.

BLUE VALLEY RECREATION COMMISSION
STATEMENT OF NET POSITION
June 30, 2021

Current assets:	
Cash and investments	\$ 11,276,340
Accounts receivable	<u>1,192</u>
Total current assets	<u>11,277,532</u>
Noncurrent assets:	
Capital assets	59,568,634
Less: Accumulated depreciation	<u>(16,972,949)</u>
Total noncurrent assets	<u>42,595,685</u>
Total assets	<u>53,873,217</u>
Current liabilities:	
Accounts payable	4,096
Accrued payroll	202,428
Accrued compensated absences	221,821
Other payables	8,518
Accrued interest payable	193,439
Unearned revenue	817,495
Noncurrent liabilities:	
Due within one year	<u>2,004,846</u>
Total current liabilities	3,452,643
Noncurrent liabilities:	
Due in more than one year	<u>19,916,698</u>
Total liabilities	<u>23,369,341</u>
Net position:	
Net investment in capital assets	20,674,141
Restricted:	
Donor restricted projects	77,511
Employee benefits	2,115,037
Unrestricted	<u>7,637,187</u>
Total net position	<u>\$ 30,503,876</u>

See accompanying notes to financial statements.

BLUE VALLEY RECREATION COMMISSION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

		Program Revenues	Net (Expenses) Revenue and Changes in Net Position
	Expenses	Charges for Services	Total Governmental Activities
Governmental activities:			
Culture and recreation	\$ 10,599,634	\$ 5,310,478	\$ (5,289,156)
Interest and charges on long-term debt	734,475	-	(734,475)
Total governmental activities	<u>\$ 11,334,109</u>	<u>\$ 5,310,478</u>	<u>(6,023,631)</u>
General revenues:			
Property taxes levied for general purposes			8,203,680
Investment earnings			60,648
Miscellaneous			90,240
Total general revenues			<u>8,354,568</u>
Change in net position			2,330,937
Net position, beginning of year			<u>28,172,939</u>
Net position, end of year			<u>\$ 30,503,876</u>

See accompanying notes to financial statements.

BLUE VALLEY RECREATION COMMISSION
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2021

	General	Employee Benefits	Total Governmental Funds
<u>ASSETS</u>			
Cash and investments	\$ 9,161,303	\$ 2,115,037	\$ 11,276,340
Accounts receivable	1,192	-	1,192
Total assets	\$ 9,162,495	\$ 2,115,037	\$ 11,277,532
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 4,095	\$ -	\$ 4,095
Accrued liabilities	202,428	-	202,428
Other payables	8,518	-	8,518
Unearned revenues	817,495	-	817,495
Total liabilities	1,032,536	-	1,032,536
Fund balances:			
Restricted	77,511	2,115,037	2,192,548
Assigned:			
Capital outlay	655,257	-	655,257
Unassigned	7,397,191	-	7,397,191
Total fund balances	8,129,959	2,115,037	10,244,996
Total liabilities and fund balances	\$ 9,162,495	\$ 2,115,037	\$ 11,277,532

See accompanying notes to financial statements.

BLUE VALLEY RECREATION COMMISSION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
June 30, 2021

Total fund balances - governmental funds	\$	10,244,996
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Amounts reported for governmental activities in the statement
of net position are different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds:

Cost of capital assets	\$ 59,568,634		
Accumulated depreciation	(16,972,949)		42,595,685

Long-term liabilities, including bonds payable, are not due and
payable in the current period and therefore are not reported
as liabilities in the funds. Long term liabilities at year end
consist of:

Bonds payable	21,921,545		
Accrued compensated absences	221,821		
Accrued interest	193,439		(22,336,805)

Total net position - governmental activities	\$	30,503,876
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See accompanying notes to financial statements.

BLUE VALLEY RECREATION COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

	General	Employee Benefits	Total Governmental Funds
Revenues:			
Taxes	\$ 7,276,998	\$ 926,681	\$ 8,203,679
Charges for services	5,310,478	-	5,310,478
Investment income	60,648	-	60,648
Other local sources	90,240	-	90,240
	<hr/>	<hr/>	<hr/>
Total revenues	12,738,364	926,681	13,665,045
	<hr/>	<hr/>	<hr/>
Expenditures:			
Culture and recreation:			
Personnel	5,170,754	1,293,945	6,464,699
Contractual	1,436,899	-	1,436,899
Commodities	1,385,326	-	1,385,326
Capital outlay	365,525	-	365,525
Debt service:			
Principal payment	1,835,000	-	1,835,000
Interest expense	849,898	-	849,898
	<hr/>	<hr/>	<hr/>
Total expenditures	11,043,402	1,293,945	12,337,347
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures	1,694,962	(367,264)	1,327,698
	<hr/>	<hr/>	<hr/>
Fund balance, beginning of year	6,434,997	2,482,301	8,917,298
	<hr/>	<hr/>	<hr/>
Fund balance, end of year	<u>\$ 8,129,959</u>	<u>\$ 2,115,037</u>	<u>\$ 10,244,996</u>

See accompanying notes to financial statements.

BLUE VALLEY RECREATION COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

Net change in fund balances - governmental funds	\$ 1,327,698
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The change in net position reported for governmental activities in the statement of activities is different because:

Government funds report capital outlays as expenditures.

However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.

Capital outlays	\$ 365,525	
Depreciation expense	<u>(1,338,310)</u>	(972,785)

Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

99,847

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

1,835,000

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences		25,600
Accrued interest		<u>15,577</u>

Changes in net position of governmental activities

\$ 2,330,937

See accompanying notes to financial statements.

BLUE VALLEY RECREATION COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
GENERAL FUND
For the Year Ended June 30, 2021

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budget Amounts		Variances with Final Budget Over (Under)
				Original	Final	
Revenues:						
Taxes	\$ 7,276,998	\$ -	\$ 7,276,998	\$ 7,321,106	\$ 7,321,106	\$ (44,108)
Charges for services	5,310,478	(14,992)	5,295,486	7,312,380	7,312,380	(2,016,894)
Investment revenue	60,648	-	60,648	110,000	110,000	(49,352)
Other local sources	90,240	(30,400)	59,840	-	-	59,840
Total revenues	<u>12,738,364</u>	<u>(45,392)</u>	<u>12,692,972</u>	<u>14,743,486</u>	<u>14,743,486</u>	<u>(2,050,514)</u>
Expenditures:						
Culture and recreation:						
Personnel	5,170,754	(48,057)	5,122,697	6,331,334	6,331,334	(1,208,637)
Contractual	1,436,899	70,279	1,507,178	2,498,863	2,498,863	(991,685)
Commodities	1,385,326	(8,870)	1,376,456	1,914,400	1,914,400	(537,944)
Capital outlay	365,525	466,171	831,696	1,221,084	1,221,084	(389,388)
Debt service:						
Principal payment	1,835,000	-	1,835,000	1,835,000	1,835,000	-
Interest expense	849,898	-	849,898	850,000	850,000	(102)
Total expenditures	<u>11,043,402</u>	<u>479,523</u>	<u>11,522,925</u>	<u>14,650,681</u>	<u>14,650,681</u>	<u>(3,127,756)</u>
Excess (deficiency) of revenues over (under) expenditures	1,694,962	(524,915)	1,170,047	<u>\$ 92,805</u>	<u>\$ 92,805</u>	<u>\$ 1,077,242</u>
Fund balance, beginning of year	<u>6,434,997</u>	<u>813,876</u>	<u>7,248,873</u>			
Fund balance, end of year	<u>\$ 8,129,959</u>	<u>\$ 288,961</u>	<u>\$ 8,418,920</u>			

See accompanying notes to financial statements.

BLUE VALLEY RECREATION COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
EMPLOYEE BENEFITS FUND
For the Year Ended June 30, 2021

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budget Amounts		Variances with Final Budget Over (Under)
				Original	Final	
Revenues:						
Taxes	\$ 926,681	\$ -	\$ 926,681	\$ 456,735	\$ 456,735	\$ 469,946
Total revenues	926,681	-	926,681	456,735	456,735	469,946
Expenditures:						
Culture and recreation:						
Personnel	1,293,945	-	1,293,945	2,501,572	2,501,572	(1,207,627)
Total expenditures	1,293,945	-	1,293,945	2,501,572	2,501,572	(1,207,627)
Excess (deficiency) of revenues over (under) expenditures	(367,264)	-	(367,264)	<u>\$ (2,044,837)</u>	<u>\$ (2,044,837)</u>	<u>\$ 1,677,573</u>
Fund balance, beginning of year	2,482,301	-	2,482,301			
Fund balance, end of year	<u>\$ 2,115,037</u>	<u>\$ -</u>	<u>\$ 2,115,037</u>			

See accompanying notes to financial statements.

BLUE VALLEY RECREATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

1 - Summary of Significant Accounting Policies

The financial statements of Blue Valley Recreation Commission (the Commission) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies of the Commission are described below.

Reporting Entity

The Commission is a political subdivision of the State of Kansas governed by a board appointed by the Unified School District No. 229 Blue Valley (the District). Accounting principles generally accepted in the United States of America have established criteria to be followed in determining which governmental organizations should be included in the reporting entity. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Applying these criteria, management has determined that the Commission is a component unit of the Blue Valley Unified School District No. 229.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Commission. The effect of interfund activity has been removed from these statements. All activities of the Commission are governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to recipients of direct benefits from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. The emphasis of the fund financial statements is on major governmental funds, each displayed in a separate column. The Commission has no nonmajor funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, includes property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

BLUE VALLEY RECREATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means the balance is collectible within the current period, or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, except for debt service expenditures, as well as expenditures related to certain compensated absences and claims and judgments which are recorded when payment is due. Proceeds of general long-term debt and acquisition under capital leases are reported as other financing sources and uses.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The Commission reports the following major governmental funds:

General Fund, which is used to account for the general operating of the Commission and all unrestricted revenues and expenditures not provided for in other funds.

Employee Benefits Fund, which is used to account for employee benefits paid by the Commission.

Investments

The Commission invests in certificate of deposit which are recorded at cost and U.S. government securities which are recorded at fair value.

Property Taxes

In accordance with state statutes, ad valorem taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on 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 tax entities within the County. Property owners have the option of paying one-half or the full amount of the 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.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the government-wide financial statements. Capital assets are defined by the Commission as assets with an initial, individual cost of more than \$ 1,000. Commission capital assets are recorded at historical cost, or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their acquisition value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

BLUE VALLEY RECREATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

Capital assets of the Commission are depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	50 years
Furniture	10 years
Vehicles	15 years
Equipment	5 years

Compensated Absences

The executive director and all regular employees are allowed paid vacation leave at various rates each year based upon time in service with a maximum amount of vacation time allowed of 160 hours.

- Regular part-time employees are allowed paid vacation leave pro-rata based on full-time allowances.
- Full-time employees with less than 5 years of service are allowed 80 hours of vacation each year.
- Full-time employees with 5 to 10 years of service are allowed 120 hours of vacation each year.
- Full-time employees with greater than 10 years of service are allowed 160 hours of vacation each year.

Amounts accrued for vacation leave are reported on the statement of net position.

Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using a method that approximates the effective interest method. Bonds payable are reported net of the applicable premium or discount.

Net Position

The Commission's net position is classified as follows:

Net investment in capital assets – This represents the Commission's total investment in capital assets, net of accumulated depreciation and related debt.

Restricted – This includes resources that are legally or contractually obligated to be spent in accordance with restrictions imposed by external third parties.

Unrestricted – This includes resources derived from charges for services, property taxes, other local sources, and interest. The resources are used for transactions relating to the cultural and recreation operations of the Commission and may be used at the discretion of the board to meet current expenses in accordance with approved budgets.

The Commission applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

BLUE VALLEY RECREATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance classifications based primarily on the extent to which the Commission is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2021, fund balances for governmental funds are made up of the following:

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Assigned fund balance includes amounts intended to be used by the Commission for specific purposes that are neither restricted nor committed. Intent is expressed by (a) the Commission or (b) a body or official to whom the Commission has delegated the authority to assign amounts to be used for specific purposes.

Unassigned fund balance is the residual classification for the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

In circumstances when an expenditure is made for a purpose which amounts are available in multiple fund balance classifications, fund balance is depleted in the following order: restricted, assigned, and unassigned.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Pending GASB Statement

At June 30, 2021, the GASB had issued several statements not yet implemented by the Commission. The statement that might impact the Commission is as follows:

GASB Statement No. 87, *Leases*, improves accounting and financial reporting for leases by governments. Statement 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for periods beginning after June 15, 2021. Management is currently evaluating the effect this Statement will have on the financial statements.

BLUE VALLEY RECREATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

2 - Budgetary Basis of Accounting

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

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper 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 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. The Commission had no amendments to the budget for the year ended June 30, 2021.

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 budgeted fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, 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. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is required for the General Fund and Employee Benefits Fund.

The actual data presented in the budgetary comparison statements differs from the data presented in accordance with accounting principles generally accepted in the United States of America (GAAP). The following is a summary of the effects on the ending fund balances caused by the difference in accounting between the budgetary basis and GAAP.

BLUE VALLEY RECREATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

	General Fund	Employee Benefits Fund
GAAP fund balance, June 30, 2021	\$ 8,129,959	\$ 2,115,037
Adjustments:		
Encumbrances	(653,257)	-
Unearned revenue	817,301	-
Accrued payroll	202,428	-
Less:		
Fund balance of nonbudgeted funds:		
Donor restricted projects	(77,511)	-
Total adjustments	288,961	-
Budgetary fund balance, June 30, 2021	\$ 8,418,920	\$ 2,115,037

3 - Cash 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 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 adequate rate of return on funds.

Custodial credit risk – deposits and investments. In the case of deposits, this is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. For an investment, custodial credit risk is the risk that, in the event of the failure of the 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. Statutes require that deposits and investments be collateralized and that collateral pledged must have a fair market value equal to 100% of the deposits (less insured amounts) and deposits and investments must be assigned for the benefit of the Commission. At June 30, 2021, the Commission's deposits and investments were not exposed to custodial credit risk.

Credit risk. Kansas State Statutes authorize the Commission, with certain restrictions, to deposit or invest in open accounts, time deposits, certificates of deposit, repurchase agreements, the State of Kansas Municipal Investment Pool, and U.S. treasury bills and notes. At June 30, 2021 and throughout the year then ended, the Commission's cash and investments included certificates of deposit, U.S. government securities, and cash deposits. The credit rating for the U.S. government securities at June 30, 2021 is AA+ (Standards & Poors). Investment earnings are recorded in the General Fund.

Fair value measurement. The Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant

BLUE VALLEY RECREATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

unobservable inputs. For the year ended June 30, 2021, the U.S. government securities were valued with significant other observable inputs (Level 2).

Interest rate risk. Interest rate risk is the risk that changes in the interest rate may adversely affect the investment's fair value. The Commission does not have a policy to address interest rate risk. The Commission is not exposed to significant interest rate risk.

As of June 30, 2021, maturities of the Commission's investments, which are measured at fair value, are as follows:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 to 5	6 to 10	More than 10
U.S. Treasury Securities	\$ 1,499,516	\$ 499,829	\$ 999,687	\$ -	\$ -

Concentration of credit risk. The Commission's investment policy does not place any limitations on the percentage of the Commission's total investments that may be with any one issuer. Kansas statutes indirectly prohibit such a limitation, as local banks must be given preference on each investment of idle funds.

4 - Related Party Transaction

The Commission has entered into certain agreements with Blue Valley School District. The Commission paid Blue Valley School District approximately \$ 340,000 for the rental of gyms and fields for the year ended June 30, 2021.

BLUE VALLEY RECREATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

5 - Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Commission Governmental Activities:				
Nondepreciable capital assets:				
Construction in progress	\$ 902,122	\$ 116,070	\$ -	\$ 1,018,192
Depreciable capital assets:				
Computer equipment	1,222,601	74,599	-	1,297,200
Program equipment	542,749	-	-	542,749
YMCA complex	2,728,575	-	-	2,728,575
School facilities	172,294	67,385	-	239,679
Office furniture and equipment	206,336	-	-	206,336
Maintenance equipment	238,962	-	-	238,962
Field equipment	817,054	31,410	39,594	808,870
Concessions equipment	59,424	3,646	-	63,070
Vehicles	381,657	43,115	-	424,772
Maintenance facility/west parking lot expansion	1,917,649	-	-	1,917,649
Milters Wood's complex and sports complex	14,483,387	-	-	14,483,387
Indoor aquatic facility	4,904,254	-	-	4,904,254
North fields and maintenance facility	7,764,172	-	-	7,764,172
Concessions	1,347,363	-	-	1,347,363
Miscellaneous equipment	48,773	29,300	-	78,073
Activity center	2,295,948	-	-	2,295,948
Hilltop center	19,209,383	-	-	19,209,383
Totals at historical cost	59,242,703	365,525	39,594	59,568,634
Less accumulated depreciation for:				
Computer equipment	884,642	121,832	-	1,006,474
Program equipment	394,921	53,519	-	448,440
YMCA complex	1,314,829	54,571	-	1,369,400
School facilities	78,054	4,120	-	82,174
Office furniture and equipment	204,030	513	-	204,543
Maintenance equipment	209,060	6,645	-	215,705
Field equipment	748,375	32,721	39,594	741,502
Concessions equipment	56,882	1,186	-	58,068
Vehicles	222,095	15,337	-	237,432
Maintenance facility/west parking lot expansion	479,412	38,353	-	517,765
Milters Wood's complex and sports complex	5,618,081	289,668	-	5,907,749
Indoor aquatic facility	1,127,796	98,085	-	1,225,881
North fields and maintenance facility	1,785,123	155,283	-	1,940,406
Concessions	282,945	9,423	-	292,368
Miscellaneous equipment	39,552	26,947	-	66,499
Activity center	882,753	45,919	-	928,672
Hilltop center	1,345,683	384,188	-	1,729,871
Total accumulated depreciation	15,674,233	1,338,310	39,594	16,972,949
Governmental activities capital assets, net	\$ 43,568,470	\$ (972,785)	\$ -	\$ 42,595,685

The costs of certain capital assets listed above including sports complex, activity center, and Hilltop recreation center were financed through Certificates of Participation Series 2014A, 2014B, and 2015.

BLUE VALLEY RECREATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

The Commission's depreciation expense was charged to governmental functions as follows:

Culture and recreation	<u>\$ 1,338,310</u>
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6 - Long-Term Liabilities

Long-term liabilities consist of the following:

Series	Date Issued	Final Maturity	Original	Outstanding	Interest Rates
Certificates of Participation:					
2014A Series	December 18, 2014	October 1, 2025	\$ 8,819,719	\$ 4,355,327	2.00% - 5.00%
2014B Series	December 18, 2014	October 1, 2025	4,606,041	2,262,746	2.00% - 5.00%
2015 Series	June 16, 2015	October 1, 2035	<u>18,614,628</u>	<u>15,303,471</u>	3.00% - 5.00%
			<u>\$ 32,040,388</u>	<u>\$ 21,921,544</u>	

The Commission has entered into lease agreements as a lessee through the issuance of the Certificates listed above for financing the construction of major capital facilities (See Note 5). These lease agreements qualify as capital leases.

During the year ended June 30, 2021, the following changes occurred in the long-term liabilities of the Commission:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021
Certificates of Participation	\$ 22,955,000	\$ -	\$ 1,835,000	\$ 21,120,000
Bond premiums	<u>901,391</u>	<u>-</u>	<u>99,847</u>	<u>801,544</u>
	<u>\$ 23,856,391</u>	<u>\$ -</u>	<u>\$ 1,934,847</u>	<u>\$ 21,921,544</u>

BLUE VALLEY RECREATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

The following is a summary of the maturities of the certificates and related interest:

<u>June 30,</u>	<u>Principal, including bond premiums</u>	<u>Interest</u>
2022	\$ 2,004,846	\$ 786,650
2023	2,069,846	713,125
2024	2,144,846	620,750
2025	2,249,846	533,175
2026	2,324,846	458,975
2027 - 2031	5,056,157	1,639,444
2032 - 2036	6,071,157	609,231
	<u>\$ 21,921,544</u>	<u>\$ 5,361,350</u>

7 - Operating Leases

The Commission, as lessee, has various non-cancelable leases for certain facility rental and office equipment all of which are classified as operating leases. Rent expense under these non-cancelable leases was \$ 23,691 for the year ended June 30, 2021.

The remaining payments on the operating leases are as follows:

<u>June 30,</u>	
2022	\$ 15,705
2023	15,705
2024	<u>10,470</u>
	<u>\$ 41,880</u>

8 - Defined Contribution Pension Plan

The Commission administers a 457(b) defined contribution pension plan available to its employees. Employees are eligible to participate in the payroll period immediately preceding the later of age 18 or the first day of the month after thirty days of employment. Plan compensation is determined by W-2 wages. The Commission has the discretion to make matching contributions to an employee's account based on the contributions the employee has made to the 457(b) plan. The Commission matches each dollar the employee contributes up to a maximum of 7% of their pay.

BLUE VALLEY RECREATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

Employer matching contributions are subject to the following vesting schedule:

<u>Years of Employment</u>	<u>Vested Percentage</u>
Less than 2	0%
2	25%
3	50%
4	75%
5 or more	100%

Forfeitures may first be used to reduce fees. Remaining forfeitures will be used to reduce Commission contributions.

For the year ended June 30, 2021, the Commission recognized pension expense of \$ 226,219. There were no plan forfeitures for the year ended June 30, 2021.

9 - Contingencies

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; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There has been no significant change in insurance coverage from the previous fiscal year. Settlements have not exceeded insurance coverage for each of the past three fiscal years.

Encumbrances

The Commission uses encumbrances to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to executory contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year-end are not accounted for as expenditures and liabilities, but, rather, as restricted, committed, or assigned fund balance. At June 30, 2021, the Commission's recorded encumbrances in governmental funds were as follows:

General	<u><u>\$ 653,257</u></u>
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10 - Tax Abatements

Tax revenues for the Commission are impacted by property tax abatements authorized by outside governmental entities. Specifically, the City of Overland Park, Kansas has authorized property tax abatements in the amount of approximately \$ 118,000 that reduced the Commission's tax revenue for the fiscal year ending June 30, 2021.

BLUE VALLEY RECREATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

11 - Risks and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and, on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Commission operates. On March 27, 2020, the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) was enacted to, amongst other provisions, provide emergency assistance for individuals, families, and businesses affected by the pandemic.

It is unknown how long the adverse conditions associated with the pandemic will last and what the complete financial effect will be to the Commission. Accordingly, while management cannot quantify the financial and other impacts to the Commission as of June 30, 2021, management believes that a material impact on the Commission's financial position and results of future operations is reasonably possible.

12 - Subsequent Events

The Commission has evaluated subsequent events through the date of the independent auditors' report, which is the date the financial statements are available to be issued.