EMPORIA RECREATION COMMISSION

Emporia, Kansas

FINANCIAL STATEMENT

June 30, 2025

VARNEY & ASSOCIATES, CPAs, LLC
Manhattan, Kansas

EMPORIA RECREATION COMMISSION
Emporia, Kansas
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September 12, 2025

VARNEY
& ASSOCIATES, CPAs, LLC

Board of Directors
Emporia Recreation Commission
Emporia, 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 Emporia Recreation Commission (the Commission), as of and for the year ended June 30, 2025, 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, 2025, 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, 2025, 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 audit 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 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 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.

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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.

Varney & Associates, CPAs, LLC
Certified Public Accountants
Manhattan, Kansas

EMPORIA RECREATION COMMISSION
Emporia, Kansas
SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH **STATEMENT 1**
Regulatory Basis
For the Year Ended June 30, 2025

	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	$ 3,346,603	$ -	$ 3,504,172	$ 3,218,093	$ 3,632,682	$ 736,789	$ 4,369,471
Special Purpose Funds							
Employee Benefits	372,494	-	380,567	428,098	324,963	1,312	326,275
Total Reporting Entity	$ 3,719,097	$ -	$ 3,884,739	$ 3,646,191	$ 3,957,645	$ 738,101	$ 4,695,746

Composition of Cash	
Checking Accounts	$ 4,694,021
Petty Cash	1,725
Total Cash	$ 4,695,746

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

EMPORIA RECREATION COMMISSION
Emporia, Kansas
NOTES TO FINANCIAL STATEMENT
June 30, 2025

Note 1: Summary of Significant Accounting Policies

Reporting Entity

The Emporia Recreation Commission (the Commission) was established as a joint venture between the City of Emporia, Kansas and Unified School District Number 253, Emporia, Kansas. The governing Board consists of two members from the Emporia City Commission, two members from the Unified School District Number 253 Board of Education, two members appointed by the Emporia City Commission, two members appointed by Unified School District Number 253 Board of Education and one at large Board member appointed by the other eight appointed members of the Recreation Commission Board.

The Commission utilizes the tax authority and tax base of Unified School District Number 253, Emporia, Kansas to levy ad valorem taxes to help fund its general fund and employee benefit fund budgets.

The City of Emporia, Kansas has issued general obligation bonds, the proceeds of which were used to construct a portion of the facility used by the Commission.

The Commission has no related municipal entities.

Reimbursed Expenses

Expenditures in the amount of $101,989 are classified as reimbursed expenses in the General Fund. The purpose of these expenditures is payments for goods and services in which fees are collected and such expenditures are exempt from the budget law under K.S.A. 79-2934.

Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses shown in the financial statement meet the following criteria:

1. the related disbursement was made in the current year on behalf of the payee,
2. the item paid for was directly identifiable as having been used by or provided to the payee,
3. the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement.

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 Commission to use the regulatory basis of accounting.

Regulatory Basis Fund Types

The following types of governmental funds comprise the financial activities of the Commission:

General Fund - the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.
Special Purpose Fund - used to account for the proceeds of specific tax levies and other specific regulatory receipts sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

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.

If the Commission is holding a revenue neutral rate hearing, the budget timeline for adoption of the final budget has been adjusted to on or before September 20th, but at least ten days after all statutory notification and publication requirements have been met. Municipal budgets requiring a hearing to exceed the revenue neutral rate should be adopted on or before October 1st but may not be adopted prior to the revenue neutral rate hearing. The Commission did hold a revenue neutral rate hearing for this year.

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, 2025.

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.

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.

Note 3: Deposits and Investments (Continued)

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, 2025, the Commission held no investments.

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."

At June 30, 2025, the Commission's carrying amount of deposits was $4,694,021 and the bank balance was $4,689,813. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, $250,000 was covered by federal depository insurance, $6,314,111 was collateralized with securities held by the pledging financial institutions' agents in the Commission's name and $1,874,298 is over insured.

Note 4: Long-Term Debt

Following is a summary of long-term debt transactions of the Commission for the year:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Beginning of Year	Additions	Reductions/ Payments	End of Year	Interest Paid
Capital Leases									
City of Emporia Interlocal Agreement:									
Fitness Center Project	3.00% - 3.74%	11/5/2014	$ 450,000	9/1/2025	$ 96,000	$ -	$ 48,000	$ 48,000	$ 2,400

Current maturities of capital leases and interest for the next five years and in five year increments through maturity are as follows:

	FY26	Total
Principal		
City of Emporia Interlocal Agreement:		
Fitness Center Project	$ 48,000	$ 48,000
Interest		
City of Emporia Interlocal Agreement:		
Fitness Center Project	$ 720	$ 720

Note 5: Compensated Absences

The Commission's policy is to recognize the costs of compensated absences when actually paid.

The Commission's policy regarding vacation and sick pay permits full-time salaried employees to earn vacation days based upon years of service. Vacation is earned at a rate of 8 hours per month after one year of service, 10 hours per month after five years of service, 12 hours per month after ten years of service, 14 hours per month after fifteen years of service, and 16 hours per month after twenty years of service. Vacation is not cumulative.

Sick leave for full-time salaried employees may be earned at a rate of one day per month of unbroken service and may be accumulated to a total of ninety working days. Unused sick leave is canceled when the employee resigns or is discharged.

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, 2025. Contributions to the pension plan from (non-school municipality) were $121,081 for the year ended June 30, 2025.

At June 30, 2025, the Commission's proportionate share of the collective net pension liability reported by KPERS was $892,070. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023, which was rolled forward to June 30, 2024. The Commission's proportion of the net pension liability was based on the ratio of the 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 omission; injuries to employees; and natural disasters for which the Commission carries commercial insurance. Insurance claims for the preceding three years have not exceeded insurance coverage.

Note 8: Subsequent Events

The Commission has evaluated subsequent events through the date of the financial statements. The Commission took responsibility for Rec Extra again; this is an after school daycare that is at six separate elementary schools. This will cause an increase in Fees and Charges as well as in Payroll.

REGULATORY-REQUIRED SUPPLEMENTARY INFORMATION

EMPORIA RECREATION COMMISSION
Emporia, Kansas
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended June 30, 2025

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	$ 7,889,061	$ -	$ -	$ 7,889,061	$ 3,218,093	$ (4,670,968)
Employee Benefit Fund	614,826	-	-	614,826	428,098	(186,728)
Total Funds	$ 8,503,887	$ -	$ -	$ 8,503,887	$ 3,646,191	$ (4,857,696)

See Independent Auditor's Report.

EMPORIA RECREATION COMMISSION
Emporia, Kansas
SCHEDULE 2-1
GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended June 30, 2025

	Actual	Budget	Variance - Over (Under)
RECEIPTS			
Local Sources			
Ad Valorem tax	$ 2,114,894	$ 2,250,000	$ (135,106)
Delinquent tax	40,774	36,000	4,774
Other			
Sales	35,681	46,000	(10,319)
Fees and charges for service	779,714	924,500	(144,786)
Rentals	16,353	13,900	2,453
Sponsorships	14,510	26,500	(11,990)
Interest on idle funds	183,947	200,000	(16,053)
Restitution	187	2,000	(1,813)
Reimbursed expenses	101,989	100,000	1,989
Donations	4,422	7,000	(2,578)
Miscellaneous	14,003	-	14,003
County Sources			
Motor vehicle tax	194,912	200,000	(5,088)
Recreational vehicle tax	2,786	3,500	(714)
Total Cash Receipts	$ 3,504,172	$ 3,809,400	$ (305,228)

See Independent Auditor's Report.

EMPORIA RECREATION COMMISSION
Emporia, Kansas
GENERAL FUND (CONTINUED)
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended June 30, 2025

SCHEDULE 2-1 (CONTINUED)

	Actual	Budget	Variance - Over (Under)
EXPENDITURES			
Personnel services			
Full-time staff	$ 1,162,041	$ 1,363,556	$ (201,515)
Part-time staff	469,775	500,000	(30,225)
Interns	658	15,000	(14,342)
Plant Operation			
Contracted services	437,589	426,500	11,089
Telephone	2,400	5,000	(2,600)
Utilities	150,916	192,000	(41,084)
Commodities			
Office supplies	10,418	14,700	(4,282)
Custodial supplies	9,839	11,400	(1,561)
Recreation supplies	123,604	122,250	1,354
Maintenance supplies/chemicals	69,074	45,800	23,274
Concession supplies	17,195	28,800	(11,605)
Maintenance tools/repair	27,549	49,100	(21,551)
General Administrative			
Staff development	27,243	22,000	5,243
Professional fees	62,508	66,050	(3,542)
Insurance	112,543	46,300	66,243
Legal and accounting	28,878	20,000	8,878
Publicity	32,295	39,150	(6,855)
Postage	4,596	10,500	(5,904)
Vehicles	28,089	36,000	(7,911)
Transportation	5,976	9,100	(3,124)
Capital Outlay and Improvements			
Facilities/Construction	150,159	2,971,683	(2,821,524)
Replacement and repairs	-	175,000	(175,000)
Facility payment	50,400	49,680	720
Facility rent	5,937	9,000	(3,063)
Equipment	59,588	217,300	(157,712)
Office equipment	77,833	44,500	33,333
Other			
Reimbursements	88,446	75,500	12,946
Participation refunds	313	11,500	(11,187)
Sales Tax	-	21,500	(21,500)
Miscellaneous	2,231	-	2,231
Budgeted Reserve	-	569,451	(569,451)
Budgeted Encumbrance	-	720,741	(720,741)
Total Expenditures	$ 3,218,093	$ 7,889,061	$ (4,670,968)
Cash receipts over (under) expenditures	$ 286,079		
Unencumbered Cash - Beginning	3,346,603		
Unencumbered Cash - Ending	$ 3,632,682		

See Independent Auditor's Report.

EMPORIA RECREATION COMMISSION
Emporia, Kansas
EMPLOYEE BENEFIT FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended June 30, 2025

SCHEDULE 2-2

	Actual	Budget	Variance - Over (Under)
RECEIPTS			
Local Sources			
Ad Valorem tax	$ 336,824	$ 350,000	$ (13,176)
Delinquent tax	7,290	8,000	(710)
County Sources			
Motor vehicle tax	35,933	40,000	(4,067)
Recreation vehicle tax	520	1,000	(480)
Total Cash Receipts	$ 380,567	$ 399,000	$ (18,433)
EXPENDITURES			
Community Service Operations			
Employer's FICA expense	$ 130,293	$ 125,000	$ 5,293
Employee' retirement	121,081	95,000	26,081
Workmen's compensation	6,861	20,000	(13,139)
Unemployment insurance	-	20,000	(20,000)
Health insurance	163,728	135,000	28,728
Liability insurance	6,135	20,000	(13,865)
Encumbrances	-	179,826	(179,826)
Miscellaneous	-	20,000	(20,000)
Total Expenditures	$ 428,098	$ 614,826	$ (186,728)
Cash receipts over (under) expenditures	$ (47,531)		
Unencumbered Cash - Beginning	372,494		
Unencumbered Cash - Ending	$ 324,963		

See Independent Auditor's Report.