DERBY RECREATION COMMISSION

COMPONENT UNIT

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2024

GBN, P.A.
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Derby Recreation Commission
Derby, Kansas

Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of Derby Recreation Commission (Commission), Derby, Kansas, a component unit of Unified School District No. 260 Derby, Kansas, as of and for the year ended June 30, 2024 and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission, as of June 30, 2024 and the respective changes in financial position and the respective budgetary comparisons 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and applicable provisions of the Kansas Municipal Audit and Accounting Guide. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements 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 audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 generally accepted auditing standards 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 statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, 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 statements.
- 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 statements.
- 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10, the schedule of Commission's Proportionate Share of the Net Pension Liability and the Schedule of Commissions contributions on page 39, be presented to supplement the basic financial statements. Such information, is the responsibility of management and, although not 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 audits 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.

GBN, P.A.

Wichita, Kansas
October 14, 2024

DERBY RECREATION COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2024

As management of the Derby Recreation Commission, we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2024. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the Commission's basic financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Derby Recreation Commission exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $6,828,019 (net position). Of this amount, $2,584,565 (unrestricted net position) may be used to meet the Commission's ongoing obligations to citizens and creditors in accordance with the Commission's fiscal policies.

- The Commission's financial position improved during the current fiscal year. The Commission's total net position increased by $32,133 during the current fiscal year.

- As of the close of the current fiscal year, the Commission's governmental funds reported combined ending fund balances of $4,311,501 an decrease of $50,553 or 1.16%. Of the ending combined fund balance amount, $-0- is restricted, $4,220,500 is assigned and $-0- is unassigned.

- At the end of the current fiscal year, $4,220,500 is assigned to assist in funding the subsequent year's budget. The total ending uncommitted fund balance for the General Fund was $4,220,500 or 66.49% of the total General Fund expenditures for the most recent fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Commission's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statement of Activities presents information showing how the Commission's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for certain items that will only result in cash flows in the future fiscal periods (e.g., earned but not used compensated absences).

Both of the government-wide financial statements present the functions of the Commission that are principally supported by taxes and charges for service revenues (governmental activities). The governmental activities of the Commission include general operations, the recreation center, maintenance, adult, youth, Oaklawn Activity Center and special programs, the Rock River Rapids outdoor aquatic park, concession operations, Hubbard Center, bus and other activities.

The government-wide financial statements can be found on pages 11 – 12 of this report.

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other state and local governments, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Commission are governmental funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating an entity's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the Commission's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Commission maintains two governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General and Employee Benefit funds, both of which are considered major funds.

The basic governmental fund financial statements can be found on pages 13 – 18 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 – 38 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The assets of the Commission are classified as current assets and capital assets. Cash, investments and receivables are current assets. These assets are available to provide resources for the near-term operations of the Commission. The majority of the current assets are comprised of cash and investments. The significant cash and investment balances are the result of the State legislature's accelerated tax collection of the second half property tax payments previously due June 20 (July 20 distribution) to May 10 (June 5 distribution). As a result of this change, the Commission has received approximately 99.6% of its 2024 budgeted tax distributions prior to June 30, 2024 from Derby Unified School District No. 260.

Capital assets (e.g., buildings and improvements, machinery, equipment and vehicles) net of related debt, comprises 60.8% of total net position and are used to provide services to citizens; consequently these assets are not available for future spending. Although the Commission's net position reflects the investment in capital assets net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits and current debt obligations. The liquidation of current liabilities is anticipated to be either from currently available resources, current assets or new resources that become available during fiscal year 2025. Long-term liabilities such as long-term debt obligations and compensated absences payable will be liquidated from resources that will become available after fiscal year 2024.

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the Commission, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $6,828,019 as of June 30, 2024. The Commission's net position reflects $4,152,453 as its net investment in capital assets. This amount represents the total cost of capital assets net of accumulated depreciation and any debt used to acquire those assets that are still outstanding. The Commission's unrestricted net assets of $2,584,565 may be used to meet the Commission's ongoing obligations to citizens and creditors.

DERBY RECREATION COMMISSION
COMPARATIVE SUMMARY OF NET POSITION
June 30, 2024 and 2023

	Governmental Activities	
	2024	2023
Current and other assets	$ 4,653,532	$ 4,746,514
Capital assets	8,459,052	8,589,092
Total assets	$13,112,584	$13,335,606

	Governmental Activities	
	2024	2023
Deferred outflows of resources related to pensions	845,129	785,863
Long-term liabilities	6,600,192	6,713,920
Other liabilities	353,377	396,987
Total liabilities	6,953,569	7,110,907
Deferred inflows of resources:		
Related to refunded debt	161,599	174,659
Related to pensions	14,526	40,017
Total deferred inflows	176,125	214,676
Net position:		
Net investment in capital assets	4,152,453	3,934,433
Restricted for employee benefits	91,001	65,854
Unrestricted	2,584,565	2,795,599
Total net position	$ 6,828,019	$ 6,795,886

Analysis of the Commission's operations – The following table provides a summary of the Commission's operations for the years ended June 30, 2024 and 2023. The Commission's net position increased by $32,133, which represents a 0.004% increase in net position.

DERBY RECREATION COMMISSION
COMPARATIVE SCHEDULE OF CHANGES IN NET POSITION
Fiscal Year Ended June 30, 2024 and 2023

	Governmental Activities	
	2024	2023
Revenues:		
Program revenues:		
Charges for services	$ 2,803,450	$ 2,795,630
Operating grants and contributions	134,108	445,231
Capital grants and contributions	–	–
General revenues:		
Payments from Unified School District No. 260 for property taxes	4,297,641	3,921,245
Investment earnings	167,580	106,197
Total revenues	7,402,779	7,268,303

	Governmental Activities	
	2024	2023
Expenses:		
Recreation Center	$ 2,186,568	$ 2,114,629
General operating	1,747,705	1,655,932
Maintenance	229,948	212,108
Adult programs	671,660	699,633
Youth programs	775,310	740,220
Oaklawn programs	214,134	158,235
Special programs	2,124	3,387
Rock River Rapids	773,860	792,608
Oaklawn Recreation Center	208,076	279,595
Hubbard Center	312,481	307,220
Bus operations and other	119,721	58,818
Interest on long-term debt	129,059	147,957
Total expenses	7,370,646	7,170,342
Increase in net position	32,133	97,961
Net position – July 1	6,795,886	6,697,925
Net position – June 30	$ 6,828,019	$ 6,795,886

Key elements of the increase in net position for governmental activities are as follows:

- Total revenues increased by $134,476, or approximately 1.85%, and total expenses increased by $200,304 or approximately 2.79 %, for 2024.

- Payments received from Derby Unified School District No. 260 increased by $376,396 (9.62%) during the fiscal year. The General Fund tax receipts increased by $255,665 and the Employee Benefits Fund increased $120,731. These changes were anticipated in the preparation of the Commission's 2024 budget.

- Charges for services increased $7,820, or 0.28% from 2023. The 2024 increase in charges for service was directly related to the increase in visitors at the recreation center.

- Operating grants and contributions decreased by $311,123 from 2023 to 2024 primarily due to the ending of ChildCare Aware Grant.

- Total governmental activities expenses increased by $200,304, or about 2.79% for 2024. Recreation Center and General Operating expenses increased by $163,712. Oaklawn program expenses increased by $55,899.. The combined increase of $19,307 were in Maintenance, Adult programs, Youth programs, Special programs, Oaklawn recreation center, Hubbard Center, Business operations and other.

- Approximately 50.8% of total functional expenses are payroll and related benefit costs. Salary costs increased approximately $56,514 for 2024.

FINANCIAL ANALYSIS OF THE COMMISSION'S FUNDS

Governmental funds – The focus of the Commission's funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Commission's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of the Commission's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Commission's governmental funds reported combined ending fund balances of $4,311,501 with approximately 100% of this amount classified as assigned equity and available for use within the Commission's designation and policies.

In the General Fund, total revenues were $6,271,850 for 2024 compared to $6,258,105 for 2023, or an increase of $13,745. The tax appropriations from Derby Unified School District No. 260 increased by $255,665 and Interest earnings increased by $61,383. Youth Program charges decreased by $140,766 for 2024 and Oaklawn programs decreasing by $162,216. General fund total expenditures increased by $204,369 with Recreation Center expenditures increasing by $245,575. Oaklawn Activity Center expenditures decreasing by $67,429. Business and Other expenditures increased by $60,903 and all other functional expenditure areas decreasing a combined $34,680.

The Employee Benefit Fund total revenues increased by $120,731, which was related to tax appropriations from Derby Unified School District No. 260. Expenditures increased by $161,438.

General Fund Budgetary Highlights – The General Fund total actual revenues ($6,271,850) were 102.97% of the total amount anticipated in the 2024 budget. Expenditures on a budgetary basis totaled $6,326,141, which represented only 60.51% of the budgeted expenditures for 2024. The result was a decrease in budgetary basis fund balance for the General Fund in the amount of $54,291, or about a 1.27% decrease from the beginning of the year fund balance. The actual carry over balance to the 2023 budget was $4,220,500 and the anticipated carry over balance in funding the 2025 budget was $4,241,909, a difference of $21,409.

The State Legislature's enactment in 2004 of accelerated tax collection requirements requiring property owner tax payments and the related distribution thereof, before June 30th artificially inflates the Commission's reserves at year-end. These distributions annually leave the Commission in a negative cash flow mode through the first seven months of each fiscal year, as the first tax distribution for the 2025 budget year is January 20, 2025. This requires sufficient cash reserves to meet obligations during that period.

CAPITAL ASSETS

The Commission's investment in capital assets for its governmental activities as of June 30, 2024 amounts to $8,459,052 (net of accumulated depreciation). The investment in capital assets includes buildings and improvements, machinery and equipment and vehicles. Capital asset acquisitions totaled $329,137 during 2024. Major capital asset events during the current fiscal year included the following:

- New Roof and recoat for a total cost of $170,321.
- Purchase of new Fintess Equipment at a total cost of $49,428.
- Purchase of new 2015 Blue Bird All American Bus at a total cost of $45,330.

Capital Assets at Year-End
Net of Accumulated Depreciation
June 30, 2024 and 2023

	Governmental Activities	
	2024	2023
Buildings and improvements	$2,122,938	$2,060,448
Machinery and equipment	597,234	662,264
Vehicles	66,695	27,198
Right-of-use leased buildings and improvements	5,672,185	5,839,182
Total	$8,459,052	$8,589,092

Additional information on the Commission's capital assets can be found in Note 3 on page 27 – 28 of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the Commission had total long-term debt obligations under a capital lease arrangement of $4,145,000 related to the Derby Recreation Center remodel, Decarsky ball field and Hubbard Arts Center projects. During the current fiscal year, $335,000 on the capital lease obligation with the City of Derby was retired. The Commission's total commitments for compensated absences totaled $238,713 at the end of the current fiscal year, a net decrease of $1,338. The Commission's unfunded net pension liability related to the Kansas Public Employees Retirement System (KPERS) was $2,216,479 at June 30, 2024, a net increase of $222,610.

Additional information on the Commission's long-term debt can be found in Note 4 on pages 28 – 30 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In the 2024-2025 budget, General Fund revenues are budgeted to increase $90,956 or about 9.36% from the 2023-2024 budget year with appropriations from Derby Unified School District No. 260 representing about 52.05% of the total General Fund budgeted revenues. Total General Fund budgeted expenditures for the 2024-2025 budget year are $10,423,768, an increase of $30,967 from the 2023-2024 budget year.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Commission's finances. If you have questions about this report or need any additional information, contact the Derby Recreation Commission, Attention: Superintendent of Recreation, at 801 East Market, P.O. Box 324, Derby, Kansas 67037, call (316) 788-3781, or e-mail at chris@derbyrec.com.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

DERBY RECREATION COMMISSION

STATEMENT OF NET POSITION

June 30, 2024

	Governmental Activities
ASSETS	
Cash and investments	$ 4,600,723
Accounts receivable	29,809
Accrued interest receivable	23,000
Capital assets:	
Buildings and improvements	5,134,892
Machinery and equipment	3,067,621
Vehicles	375,139
Right-of-use leased buildings and improvements	6,971,970
Accumulated depreciation and amortization	(7,090,570)
Total Assets	13,112,584
DEFERRED OUTLFOWS OF RESOURCES	
Deferred outflows of resources related to pensions	845,129
LIABILITIES	
Accounts payable	187,993
Accrued salaries and benefits payable	154,038
Accrued interest payable	11,346
Noncurrent liabilities:	
Due within one year	419,227
Due in more than one year	6,180,965
Total Liabilities	6,953,569
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to refunded debt	161,599
Deferred inflows of resources related to pensions	14,526
Total Deferred Inflows	176,125
NET POSITION	
Investment in capital assets, net	4,152,453
Restricted for employee benefits	91,001
Unrestricted	2,584,565
Total Net Position	$ 6,828,019

The accompanying notes are an integral part of the financial statements.

DERBY RECREATION COMMISSION

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2024

Functions/Programs	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:					
Recreation Center	$ 2,186,568	$ 1,214,266	$ –	$ –	$ (972,302)
General Operating	1,747,705	22,693	–	–	(1,725,012)
Maintenance	229,948	43,435	–	–	(186,513)
Adult Programs	671,660	210,041	4,565	–	(457,054)
Youth Programs	775,310	512,402	78,390	–	(184,518)
Oaklawn Programs	214,134	1,320	49,878	–	(162,936)
Special Programs	2,124	1,031	–	–	(1,093)
Rock River Rapids	773,860	773,860	–	–	–
Oaklawn Recreation Center	208,076	9,138	500	–	(198,438)
Hubbard Center	312,481	15,264	–	–	(297,217)
Bus operations and other	119,721	–	775	–	(118,946)
Interest on long-term debt	129,059	–	–	–	(129,059)
Total Governmental Activities	$ 7,370,646	$ 2,803,450	$ 134,108	$ –	(4,433,088)
General Revenues:					
Payments received from Derby USD No. 260 for:					
General operations					$ 3,166,712
Employee benefits					1,130,929
Investment earnings					167,580
Total General Revenues					4,465,221
Increase in Net Position					32,133
Net Position, Beginning of Year					6,795,886
Net Position, End of Year					$ 6,828,019

The accompanying notes are an integral part of the financial statements.

FUND FINANCIAL STATEMENTS

DERBY RECREATION COMMISSION

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2024

	General	Employee Benefit	Total Governmental Funds
ASSETS			
Cash and investments	$ 4,458,644	$ 142,079	$ 4,600,723
Accounts receivable	29,809	–	29,809
Accrued interest receivable	23,000	–	23,000
Total assets	$ 4,511,453	$ 142,079	$ 4,653,532
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 187,993	$ –	$ 187,993
Accrued salaries and benefits payable	102,960	51,078	154,038
Total liabilities	290,953	51,078	342,031
Fund balances:			
Restricted for Employee Benefits	–	–	–
Committed to:			
Capital Improvements	–	–	–
Assigned for subsequent year's budget deficit	4,220,500	–	4,220,500
Unassigned	–	91,001	91,001
Total fund balances	4,220,500	91,001	4,311,501
Total liabilities and fund balances	$ 4,511,453	$ 142,079	$ 4,653,532

The accompanying notes are an integral part of the financial statements.

DERBY RECREATION COMMISSION

RECONCILIATON OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES

June 30, 2024

Total Governmental Fund Balances		$ 4,311,501
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	$ 15,549,622	
Accumulated depreciation	(7,090,570)	
		8,459,052
Pension contributions are reported as an expense in the funds and as a deferred outflow of resources in the governmental activities in the statement of net position		845,129
Pension fundings are reported as a revenue in the funds and as a deferred inflow of resources in the governmental activities in the statement of net position		(14,526)
Deferred refunding bond costs resulting from issuance of refunding bonds are recognized as deferred outlfows of resources in the government-wide financial statements		(161,599)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Accrued interest payable	11,346	
Compensated absences payable	238,713	
Net pension liability	2,216,479	
Capital lease obligations payable	4,145,000	
		(6,611,538)
Net Position of Governmental Activities		$ 6,828,019

The accompanying notes are an integral part of the financial statements.

DERBY RECREATION COMMISSION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – ALL GOVERNMENTAL FUNDS

Year ended June 30, 2024

	General	Employee Benefit	Total Governmental Funds
Revenues:			
Appropriation from USD No. 260	$ 3,166,712	$ 1,130,929	$ 4,297,641
Recreation Center fees, gifts and grants	1,214,266	–	1,214,266
Adult programs	214,606	–	214,606
Youth programs	590,792	–	590,792
Oaklawn programs	51,198	–	51,198
Special programs	1,031	–	1,031
Oaklawn Activity Center	9,638	–	9,638
Rock River Rapids	773,860	–	773,860
Interest	167,580	–	167,580
Hubbard Center	15,264	–	15,264
Other	66,903	–	66,903
Total revenues	6,271,850	1,130,929	7,402,779
Expenditures:			
Current:			
Recreation Center	1,843,620	306,523	2,150,143
General operating	1,324,534	353,961	1,678,495
Maintenance	174,248	39,698	213,946
Adult programs	481,603	170,401	652,004
Youth programs	632,275	128,160	760,435
Oaklawn programs	151,797	46,885	198,682
Special programs	2,124	–	2,124
Oaklawn Activity Center	183,737	20,899	204,636
Hubbard Center	181,731	39,255	220,986
Rock River Rapids	773,860	–	773,860
Bus and other	119,721	–	119,721
Debt service	478,300	–	478,300
Total expenditures	6,347,550	1,105,782	7,453,332
Revenues over expenditures	(75,700)	25,147	(50,553)
Fund balances, beginning of year	4,296,200	65,854	4,362,054
Fund balances, end of year	$ 4,220,500	$ 91,001	$ 4,311,501

The accompanying notes are an integral part of the financial statements.

DERBY RECREATION COMMISSION

RECONCILIATON OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2024

Net Change in Fund Balances – Total Governmental Funds		$ (50,553)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 329,137	
Depreciation	(459,177)	
Excess of depreciation over capital outlay		(130,040)
Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal		–
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due		1,181
Pension contributions are reported as expenditures in the governmental funds when made; however, they are reported as deferred outflows of resources in the statement of net position		(137,853)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets		335,000
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 the funds:		
Compensated absences payable	1,338	
Amortization of gain on refunded debt	13,060	
Total		14,398
Change in Net Position of Governmental Activities		$ 32,133

The accompanying notes are an integral part of the financial statements.

DERBY RECREATION COMMISSION

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – BUDGET BASIS

Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance With Final Budget - Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Appropriation from USD No. 260	$ 3,178,861	$ 3,178,861	$ 3,166,712	$ (12,149)
Recreation Center fees	1,147,601	1,147,601	1,214,266	66,665
Adult programs	200,733	200,733	214,606	13,873
Youth programs	602,593	602,593	590,792	(11,801)
Oaklawn programs	92,200	92,200	51,197	(41,003)
Special programs	250	250	1,031	781
Oaklawn Activity Center	5,850	5,850	9,638	3,788
Rock River Rapids	726,800	726,800	773,860	47,060
Interest	60,000	60,000	167,580	107,580
Hubbard Art Center	20,000	20,000	15,264	(4,736)
Other	56,016	56,016	66,904	10,888
Total revenues	6,090,904	6,090,904	6,271,850	180,946
Expenditures and encumbrances:				
Recreation Center	1,536,398	1,536,398	1,388,832	147,566
General operating	1,410,750	1,410,750	1,324,534	86,216
Maintenance	179,678	179,678	167,352	12,326
Adult programs	541,826	541,826	481,603	60,223
Youth programs	731,683	731,683	632,275	99,408
Oaklawn programs	194,207	194,207	151,797	42,410
Special programs	2,714	2,714	2,123	591
Oaklawn Activity Center	281,998	281,998	183,737	98,261
Hubbard Center	634,374	634,374	160,325	474,049
Rock River Rapids	726,800	726,800	773,860	(47,060)
Bus and other	133,084	133,084	119,720	13,364
Capital outlay	4,081,224	4,081,224	461,685	3,619,539
Debt Service	–	–	478,300	(478,300)
Total expenditures and encumbrances	10,454,736	10,454,736	6,326,143	4,128,593
Revenues over (under) expenditures and encumbrances	(4,363,832)	(4,363,832)	(54,293)	4,309,539
Fund balance, beginning of year	4,363,832	4,363,832	4,274,793	(89,039)
Fund balance, end of year	$ –	$ –	$ 4,220,500	$ 4,220,500

The accompanying notes are an integral part of the financial statements.

DERBY RECREATION COMMISSION

EMPLOYEE BENEFIT FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – BUDGET BASIS

Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance With Final Budget - Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Appropriation from USD No. 260	$ 1,103,027	$ 1,103,027	$ 1,130,929	$ 27,902
Expenditures:				
FICA and Medicare taxes	260,100	260,100	262,170	(2,070)
Workmen's compensation insurance	24,480	24,480	14,098	10,382
Unemployment insurance	3,400	3,400	1,321	2,079
Health insurance	495,122	495,122	458,069	37,053
Retirement benefits	328,225	328,225	370,125	(41,900)
Other	55,401	55,401	–	55,401
Total expenditures	1,166,728	1,166,728	1,105,783	60,945
Revenues over (under) expenditures	(63,701)	(63,701)	25,146	88,847
Fund balance, beginning of year	63,701	63,701	65,855	2,154
Fund balance, end of year	$ –	$ –	$ 91,001	$ 91,001

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The Derby Recreation Commission (Commission) was formed in 1980 pursuant to K.S.A. 12-1901 to establish, operate and maintain a recreational system in Derby, Kansas, and began active operations in January 1981. The Commission is comprised of five board members, two appointed by the Board Members of Unified School District (USD) No. 260, Derby, Kansas, two appointed by the City Council of the City of Derby, Kansas, and one is appointed by those four appointed Commission members. The Commission must certify its annual budget to USD No. 260 for levying of property taxes. The Commission may not acquire real property or issue debt without the approval of USD No. 260. Any lease entered into by the Commission may be subject to approval of USD No. 260. The USD No. 260 is financially accountable for the Commission and, accordingly, the Commission is a component unit of that entity.

Basis of presentation

The financial statements of the Commission have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The *Governmental Accounting Standards Board* (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles.

The Commission's basic financial statements include both government-wide, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide financial statements

The statement of net position and the statement of activities display information about the Commission as a whole. The statement of net position presents the financial condition of the governmental activities of the Commission at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include (1) charges paid by the recipient for goods or services or privileges provided by a given function or activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes and other items not properly included among program revenues are reported instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Commission.

Fund financial statements

During the year, the Commission segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Commission at a more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is reported in a separate column.

Measurement focus and basis of accounting

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 when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers property tax revenues to be available in the period for which levied and other revenues if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Interest and charges for services associated with the current fiscal period are considered susceptible to accrual and so have been recognized as revenues of the current period.

The Commission reports the following major governmental funds:

General Fund – to account for all unrestricted resources except those required to be accounted for in another fund. All resources of the Commission are accounted for in the General Fund, exclusive of employee benefits.

Employee Benefit Fund – established pursuant to Kansas law to account for the taxes levied and expenditures for the employer's portion of FICA and Medicare taxes, workmen's compensation insurance, unemployment taxes, health insurance benefits, retirement benefits and tort liability insurance premiums.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and investments

The Commission pools all funds for the purpose of maximizing income through investment activities. Cash deposits are recorded at cost, which approximates fair value. Interest earnings on investments and deposits are credited to the General Fund. Additional cash and investment disclosures are presented at Note 2.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements, if any.

Inventories

Inventories are considered to be immaterial and are not recorded.

Capital assets

Capital assets, which includes property and facilities under capital lease obligations, and equipment are capitalized at total acquisition cost, provided such amounts exceed $3,000 and have a useful life of more than one year. Such assets are reported at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are reported at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation is recorded on all depreciable capital assets on a straight-line basis over the following estimated useful lives:

Asset	Years
Buildings and improvements	20-50
Machinery and equipment	3-10
Vehicles	5

Compensated absences

Supervisory and full-time personnel earn paid vacation leave of 10 days after one year of service, 15 days after five years of service and 20 days after ten years of service. Employees may carry a maximum of five days paid vacation leave into the calendar year. All paid vacation leave in excess of five days that is not used by the end of the calendar year following the year in which it was accrued will be forfeited; provided, however that the Superintendent shall have the discretion in appropriate circumstances and in the best interests of the DRC to allow an employee to carry forward unused vacation time. Supervisory and full-time employees earn one day's sick leave for each calendar month worked with a maximum accumulation of 90 days. Accumulated sick leave in excess of 90 days is paid

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

each year to employees at 75% of their daily rate. Employee's terminating in good standing will be paid for up to 90 days of accumulated sick leave at one-third of their normal pay rate at termination. The employment contract with the Superintendent of Recreation provides for full payment of up to 90 days accumulated sick leave at date of termination.

The entire compensated absences liability is reported on the government-wide financial statements. The liability is based on current salary costs and the vested portion of accumulated benefits. On the governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent that they are due for payment during the current year.

Accrued liabilities and long-term obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences and capital lease obligations that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

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. The Commission carries commercial insurance for all risks of loss. There were no significant reductions in coverage from prior years and claims resulting from these risks have not exceeded commercial coverage in any of the past three years.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred outflows/deferred inflows of resources

In additional to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and is not recognized as an outflow of resources (expense) until the future period. The Commission reports amounts related to pensions and unamortized deferred costs on bond refunding's on the government-wide statement of net position as a deferred outflow of resources.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and is not recognized as an inflow of resources (revenue) until that time. The Commission reports amounts related to pensions on the government-wide statement of net position as deferred inflows of resources.

Net position flow assumption

The government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Commission's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

In the government-wide financial statements, equity is reflected as net position and is classified into three components:

- Invested in capital assets, net – consisting of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, leases, or other borrowings that are attributable to the acquisitions, construction or improvements of those assets.

- Restricted net position – consisting of net position items with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

- Unrestricted net position – all other net position items that do not meet the definition of "restricted" or "invested in capital assets, net".

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Recreation Commission Board is the highest level of decision-making authority for the Commission that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

In the governmental funds financial statements, equity is classified into potentially five components:

- Nonspendable – the nonspendable fund balance classification includes amounts that cannot be spent because they are either (1) not in spendable form; or (2) legally or contractually required to be maintained in tact.

- Restricted – that portion of fund balance that has constraints that are (1) external imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation.

- Committed – that portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.

- Assigned – fund balance that is constrained by the government's intent to be used for specified purposes, but are neither restricted or committed.

- Unassigned – all amounts not included in the other fund balance classifications. The General Fund shall be the only fund to report positive unassigned fund balance. All other governmental funds may report negative unassigned fund balance.

When expenditures are incurred for purposes that include committed, assigned and unassigned amounts, the committed amounts are reduced first, followed by assigned amounts and then unassigned amounts.

Details of fund balance amounts are displayed on the governmental fund balance sheet.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary principles

The Commission is required by state statute to adopt annual budgets for the General and Employee Benefit funds on or before August 1 for the ensuing year. The Commission is required to certify its adopted budget to Unified School District No. 260 which shall levy a tax sufficient to raise the amount required by such budget on all the taxable tangible property within the taxing district. The Commission may amend the budget by transferring budgeted amounts from one object or purpose to another. Expenditures may not legally exceed the total amount of adopted budget of individual funds. Budgeted revenue and expenditure amounts represent the original adopted budget for such amounts.

The statutes provide for the following timetable in the adoption of the legal annual operating budget:

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

2. Publication in the 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 and certification of the adopted budget to USD No. 260.

If the municipality is holding a revenue neutral rate hearing, the budget timeline for adoption of the final budget has been extended to on or before September 20th. 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 revenue other than ad valorem property taxes. This process requires a notice of public hearing to amend the budget to 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 budget amendments for the year ended June 30, 2024.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are generally recognized when cash is received or are considered susceptible to accrual. For budgetary purposes, encumbrances, representing purchase orders, contracts and other commitments, are reported as expenditures in the current year budget. All unencumbered appropriations lapse at year-end.

The following reconciliation is presented to provide a correlation between reporting in conformity with generally accepted accounting principles (GAAP) and the budgetary basis of reporting:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

	Major Governmental Funds	
	General Fund	Employee Benefit Fund
GAAP Fund Balance at June 30, 2024	$ 4,220,500	$ 91,001
Adjustments:		
Reserved for encumbrances	–	–
Budgetary Basis Fund Balance at June 30, 2024	$ 4,220,500	$ 91,001

2. DEPOSITS AND INVESTMENTS

Deposits

K.S.A. 9-1401 establishes the depositories that 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 Federal Depository Insurance Corporation coverage. The Commission has no other policies that would further limit interest rate risk.

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

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of 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 receipts issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka.

At year-end, the carrying amount of the Commission's deposits was $4,592,978 with the bank balances of such accounts being $4,782,140. Of the bank balances, $976,420 was covered by federal depository insurance and the remaining balance of $3,805,720 was covered by pledged collateral and letters of credit held at its custodial banks in joint custody in the name of the Commission and its banks with a fair value of $7,721,216 at June 30, 2024.

The Commission had cash on hand at June 30, 2024 of $7,745.

3. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Construction work in progress	$ –	$ –	$ –	$ –
Capital assets being depreciated:				
Buildings and improvements	4,964,572	170,320	–	5,134,892
Machinery and equipment	2,970,724	100,947	4,050	3,067,621
Vehicles	350,119	57,870	32,850	375,139
Total assets being depreciated	8,285,415	329,137	36,900	8,577,652
Less accumulated depreciation for:				
Buildings and improvements	2,904,928	107,028	–	3,011,956
Machinery and equipment	2,307,656	166,779	4,050	2,470,385
Vehicles	322,921	18,373	32,850	308,444
Total accumulated depreciation	5,535,505	292,180	36,900	5,790,785
Total capital assets being depreciated, net	2,749,910	36,957	–	2,786,867
Right-of-use assets being amoritzed:				
Buildings and improvements	6,971,970	–	–	6,971,970
Less accumulated amortization	1,132,788	166,997	–	1,299,785
Right-of-use assets being amortized, net	5,839,182	166,997	–	5,672,185
Capital assets, net	$ 8,589,092	$ (130,040)	$ –	$ 8,459,052

3. CHANGES IN CAPITAL ASSETS (continued)

Depreciation/Amortization expense was charged to functions/programs as follows:

Governmental Activities:	
Recreation Center	$ 316,502
General Operations	25,910
Maintenance	18,560
Oaklawn Recreation Center	8,554
Hubbard Center	89,651
Total depreciation expense – Governmental Activities	$ 459,177

4. LONG-TERM DEBT

During the fiscal year ended June 30, 2024, the Commission's long-term debt changed as follows:

	Right-of-use Lease Obligations Payable	Compensated Absences	Net Pension Liability	Total Long-Term Debt
Beginning of year	$ 4,480,000	$ 240,051	$ 1,993,869	$ 6,713,920
Additions	–	198,100	222,610	420,710
Deletions	(335,000)	(198,413)	–	(533,413)
End of year	$ 4,145,000	$ 238,713	$ 2,216,479	$ 6,600,192
Amount due within one year	$ 350,000	$ 69,227	$ –	$ 419,227

The Commission entered into a revised lease agreement with the City of Derby, Kansas, whereby the Commission leases a community center, known as the Derby Recreation Center, from the City of Derby for a term of ten years, commencing September 1, 2022. The original lease agreement with the City of Derby commenced August 1, 1985 and was amended on March 11, 2003, which was related to completing the second phase of the Derby Recreation Center. The lease agreement dated September 1, 2022 requires the Commission to pay the City of Derby lease payments sufficient to service the debt issued by the City related to the costs of modernizing and repurposing portions of the facility. The Commission is required to perform all maintenance and make all repairs and replacements necessary to keep the facility in good condition, provide for insurance against loss for all risks on the facility and pay all taxes levied upon the facility during the term of the lease. The Commission has the option to renew the lease for additional ten-year periods at a fee of $1 under the condition that all debt issued by the City related to the facility is paid in full.

4. LONG-TERM DEBT (continued)

The City of Derby, with the approval of the Commission, issued in 1992 general obligation bonds in the face amount of $3,250,000 for the purpose of completing the second phase of the Derby Recreation Center. The 1992 general obligation bonds were refinanced in 1996 and the 1996 bonds were again refinanced in December 2004, amending the amount of the lease payments to be made by the Commission. On May 9, 2013 the City of Derby, with the approval of the Commission, issued $4,500,000 of General Obligation Refunding and Improvement Bonds, Series 2013, to provide permanent financing of the remodel improvements at the Derby Recreation Center. The 2013 general obligation refunding and improvement bonds, were refinanced on December 14, 2021, reducing the amount of the payments to be made by the commission by $200,000. The gain on the refunded debt was recorded as a deferred inflow and is amortized over the life of the lease agreement.

The Commission entered into a lease agreement with the City of Derby, Kansas, whereby the Commission leased a facility, known as the Hubbard Arts Center, from the City of Derby for a term of ten years, commencing February 11, 2019. The lease agreement requires the Commission to pay the City of Derby lease payments sufficient to service the debt issued by the City related to the costs of repair, remodeling and other improvements to the facility. The commission is required to perform all maintenance and make all repairs and replacements necessary to keep the facility in good condition, provide for insurance against loss for all risks on the facility and pay all taxes levied upon the facility during the term of the lease. Upon expiration of the initial term, the City shall extend the lease for one or more periods of up to ten years each, for the period of time remaining on any outstanding debt issued by the City related to the facility. If all debt issued by the City related to the facility is paid in full at the expiration of the initial term, the Commission has the option to renew the lease for a ten year term at a fee of $1 per year.

In 2019, the City of Derby, Kansas (City) issued general obligation bonds for Phase 1 of Decarsky Park. The Commission entered into an agreement with the City, whereby the Commission agreed to pay the additional cost of $550,000 for the addition of a fourth ball field at Decarsky park. The agreement requires the Commission to pay the City the debt service costs associated with adding the fourth field by making payments twice a year for fifteen years according to a payment schedule provided by the City of Derby until the portion of the bonds associated with the fourth ball field are paid off.

The current lease agreements qualify as right-of-use lease for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2024, were as follows:

Year ending June 30,	Amount
2025	$ 486,675
2026	487,300
2027	481,175
2028	480,825
2029	486,300

4. LONG-TERM DEBT (continued)

Year ending June 30,	Amount
2030	$486,350
2031	483,525
2032	482,800
2033	486,825
2034	210,500
2035	209,425
2036	45,675
Total minimum lease payments	4,827,375
Less amount representing interest	(682,375)
Present value of minimum lease payments	$ 4,145,000

5. PENSION PLAN

Plan description

The Commission participates in the Kansas Public Employees Retirement System, a cost sharing multiple employer defined benefit pension plan. The Pension Plan is administered by the Kansas Public Employees Retirement System (KPERS), a body corporate and an instrumentality of the State of Kansas. KPERS provides benefit provisions to the following statewide pension groups under one plan, as provided by K.S.A. 74-4901 *et. seq.*:

Public employees, which includes:
- State/School employees
- Local employees
- Police and Firemen
- Judges

Substantially all public employees in Kansas are covered by the Pension Plan. Participation by local political subdivisions is optional, but irrevocable once elected.

Those employees participating in the Pension Plan for the Recreation Commission are included in the local employee group.

KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS, 611 S. Kansas Avenue, Suite 100, Topeka, Kansas 66603-3803, by calling 1-888-275-5737 or via KPERS website at www.kpers.org.

5. PENSION PLAN (continued)

Benefits provided

Benefits are established by statute and may only be changed by the Kansas Legislature. Member employees (except police and firemen) with ten or more years of credited service may retire as early as age 55 (police and firemen may be age 50 with 20 years of credited service), with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever an employee's combined age and years of credited service equal 85 points (police and firemen normal retirement ages are age 60 with 15 years of credited service, age 55 with 20 years, age 50 with 25 years, or any age with 36 years of service).

Monthly retirement benefits are based on statutory formula that includes final average salary and years of service. When ending employment, members may withdraw their contributions from their individual accounts, including interest. Members who withdraw their accumulated contributions lose all rights and privileges of membership. For all pension coverage groups, the accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Members choose one of seven payment options for their monthly retirement benefits. At retirement a member may receive a lump-sum payment of up to 50% of the actuarial present value of the member's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas.

The 2012 Legislature made changes affecting new hires, current members and employers. A new cash balance retirement plan (KPERS 3) was created for new hires starting January 1, 2015. Normal retirement age for KPERS 3 is 65 with five years of service or 60 with 30 years of service. Early retirement is available at age 55 with ten years of service, with a reduced benefit. Monthly benefit options are an annuity benefit based on the account balance at retirement.

For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

Contributions

Member contributions are established by state law, and are paid by the employee accordingly to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined based on the results of an annual actuarial valuation for each of the three state wide pension groups. The contributions and assets of all groups are deposited in the Kansas Public Employees Retirement Fund established by K.S.A. 74-4921. All of the retirement systems are funded on an actuarial reserve basis.

5. PENSION PLAN (continued)

For fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employees, which includes the state and the school employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 1.2% of total payroll.

The actuarially determined employer contribution rates for KPERS employees (not including the 1% contribution rate for the Death and Disability Program) are 8.43% for the period from July 1, 2023 to December 31, 2023 and 8.26% for the period from January 1, 2024 to June 30, 2024. Member contribution rates as a percentage of eligible compensation for the fiscal year ended June 30, 2024 is 6% for public employees, 7.15% for police and firemen, and 6.00% or 2.00% for judges.

Employer allocations

Although KPERS administers one cost sharing multiple employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense are determined separately for each of the following groups of the plan:

- State/School
- Local
- Police and Firemen
- Judges

To facilitate the separate (sub) actuarial valuations, KPERS maintains separate accounts to identify additions, deductions and fiduciary net position applicable to each group. The allocation percentages for the Commission's share of the collective pension amounts as of June 30, 2023 was based on the ratio of its contributions to the total of the employer and nonemployer contributions of the local group for the fiscal years ended June 30, 2023. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2023, the Commission's proportion was 0.105652%, which was an increase of 0.005359% from its proportion measured at June 30, 2022.

Receivables

In addition to statutorily determined contractually required contributions, certain agencies also make payments through an additional component of their required employer contribution rate or annual installment payments, both options include interest at 8% per year, for the cost of service credits granted retroactively when the agencies initially joined the retirement system. As of June 30, 2023, the outstanding balance was $1,667,032. These payments are due over various time periods up through December 31, 2032.

5. PENSION PLAN (continued)

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2024, the Commission reported a liability of $2,216,479 for its proportionate share of the net pension liability. The collective net pension liability was measured by KPERS as of June 30, 2023, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2022, which was rolled forward to June 30, 23

For the year ended June 30, 2024, the Commission recognized pension expense of $355,380. At June 30, 2023 the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Commission contributions subsequent to the measurement date	$ 218,381	$ –
Differences between expected and actual experience	184,253	312
Net difference between projected and actual earnings on pension plan investments	129,455	–
Changes in assumptions	234,916	–
Changes in proportion	78,124	14,214
Total	$ 845,129	$ 14,526

The Commission reported $845,129 as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	Amount
2023	$ 410,670
2024	126,463
2025	238,945
2026	53,107
2027	1,418
Thereafter	–

5. PENSION PLAN (continued)

Actuarial assumptions

The total pension liability at the June 30, 2024 measurement date, was determined by an actuarial valuation as of December 31, 2022, which was rolled forward to June 30, 2023. The actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	– Entry age normal
Inflation	– 2.75 percent
Salary increases, including wage increases	– 3.50 to 12.00 percent, including price inflation
Investment rate of return	– 7.00 percent compounded annually, net of investment expense, including price inflation

Mortality rates were based on the RP-2014 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on the different membership groups. Future mortality improvements are anticipated using Scale MP-2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. Best estimates of arithmetic real rates of return for each major asset class as of the most recent experience study, dated January 7, 2020, as provided by KPERS' investment consultant, are summarized in the following table:

Asset Class	Long-Term Target Allocation	Long-Term Expected Real Rate of Return
U.S Equities	23.50%	5.20%
Non – U.S Equities	23.50	6.40
Private Equity	8.00	9.50
Private Real Estate	11.00	4.45
Yield Driven	8.00	4.70
Real Return	11.00	3.25
Fixed Income	11.00	1.55
Short-Term Investments	4.00	0.25
Total	100.00%	

5. PENSION PLAN (continued)

Discount rate

The discount rate used to measure the total pension liability at the measurement date of June 30, 2023 was 7.00 percent. The discount rate used to measure total pension liability at the prior measurement date of June 30, 2022 was 7.00 percent. The actuarial assumptions used in the calculation of the total pension liability were based on the results of the most recent actuarial experience study. It covered the three-year period of January 1, 2016 through December 31, 2018 and was dated January 7, 2020.

The projection of cash flows used to determine the discount rate was based on member and employer contributions. In KPERS, the State/School and Local groups do not necessarily contribute the full actuarial determined rate. Based on legislation first passed in 1993 and subsequent legislation, the employer contribution rates certified by the Board may not increase by more than the statutory cap. The statutory cap for Fiscal Year 2021 was 1.2 percent.

In recent years, the Legislature has made several changes to statutory rates that deviate from the scheduled contribution increases set under the statutorily capped rates.

In 2015, S.B. 4, reduced the previously certified State/School statutory rate from 11.27 percent to 8.65 percent for the last half of Fiscal Year 2015. That same session, S.B. 228 recertified statutory rates to 10.91 percent for Fiscal Year 2016 and 10.81 percent for Fiscal Year 2017 in anticipation of the issuance of $1.0 billion in pension obligation bonds.

Legislation in the 2016 session (S.B. 161) provided for the delay of up to $100.0 million in State and School contributions to the Retirement System for Fiscal Year 2016. Concurrently, 2016 H. Sub for S.B. 249 provided that the delayed contributions would be paid in full, with interest at 8.00 percent, by June 30, 2018. However, legislation passed by the 2017 Legislature removed the repayment provision. In addition, 2017 S. Sub for H.B. 2052 delayed $64.0 million in Fiscal Year 2017 contributions, to be paid over 20 years in level dollar installments. The first-year payment of $6.4 million was paid in full at the beginning of Fiscal Year 2018, and appropriations for Fiscal Year 2018 were made for the State/School group at the statutory contribution rate of 12.01 percent for that year.

Additional legislation in the 2017 Session (S. Sub for H.B. 2002) provided for a reduction of $194.0 million from the previously certified contribution rate of 13.21 percent in the State/School contributions for Fiscal Year 2019. Like the Fiscal Year 2017 reduction, it is to be paid back over a 20-year period, beginning in Fiscal Year 2020. Therefore, both reductions will be accounted for as receivables by the System.

The 2018 Legislature passed H. Sub for S.B. 109 that provided additional contributions to the school group of $56.0 million in Fiscal Year 2018 and $82.0 million in Fiscal Year 2019.

The 2019 Legislature passed S.B. 9 that provided additional contributions to the school group of $115.0 million in Fiscal Year 2019. H. Sub for S.B. 25 from the 2019 Legislative session authorized additional funding for the KPERS School Group in Fiscal Year 2020 of $51.0 million.

5. PENSION PLAN (continued)

The 2021 Legislature passed H.B. 2405, which authorizes the state of Kansas to issue bonds with net proceeds of $500.0 million to fund a portion of the School's unfunded actuarial liability. S.B. 159 recertified the State/ School contribution rates for Fiscal Years 2022 and 2023. Fiscal Year 2022 was recertified from 14.09 percent to 13.33 percent and Fiscal Year 2023 from 13.86 percent to 13.11 percent. The bond proceeds were received by KPERS on August 26, 2021.

The 2022 Legislature passed S.B. 421, which authorized the state of Kansas to transfer $1.125 billion from the State General Fund directly to KPERS in Fiscal Years 2022 and 2023. The first $253.9 million pays o the outstanding accounts receivable for KPERS-School employer contributions withheld in Fiscal Year 2017 and Fiscal Year 2019, discussed previously, while the remaining $871.1 million is applied to the KPERS-School unfunded actuarial liability. In Fiscal Year 2022, $600.0 million was transferred to the System. S.B. 421 authorized two additional transfers totaling $271.0 million in Fiscal Year 2023 (reflected in the projected cash flows of the System).

Based on the employer contribution history described above, it is a reasonable assumption that the State/School group's contribution rate may not be certified at the statutory rate at some point in the future. It has been assumed that the contribution rates will be made within the same range as have been seen in the past few years. Using this assumption, actuarial modeling indicates that employer contribution rates for the State/School group are sufficient to avoid a depletion date.

The Local, Kansas Police and Firemen, and Judges groups are contributing at the full actuarial contribution rate.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the Pension Plan as of June 30, 2023, calculated using the discount rate of 7.00 percent, as well as what the Pension Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00 percent) or 1 percentage point higher (8.00 percent) than the current rate:

	June 30, 2023		
	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Amount due within one year	$ 3,178,194	$ 2,216,479	$1,415,270

5. PENSION PLAN (continued)

Special funding situation

The employer contributions for non-public school districts, as defined in K.S.A. 74-4931 (2) and (3), are funded by the State of Kansas on behalf of these employers. Therefore, these employers, area vocational-technical schools and community junior colleges, are considered to be in a special funding situation as defined by GASB Statement No. 68. The State is treated as a nonemployer contributing entity in the System. Since these employers do not contribute directly to the System for active employees, there is no net pension liability or deferred inflows or outflows to report in the financial statements for active employees. The notes to their financial statements must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the non-public school district employer. In addition, each non-public school district employer must recognize the pension expense associated with their employer as well as revenue in an amount equal to the nonemployer contributing entities' total proportionate share of the collective pension expense associated with their employer.

A number of these employers make contributions directly to KPERS for KPERS retirees filling KPERS covered positions per K.S.A. 74-4937, "working after retirement" employees. The resulting proportional share of these agencies' "working after retirement" contributions and resulting net pension liability are attributable to the employer.

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued KPERS financial report.

6. OAKLAWN ACTIVITY CENTER PROJECT AND LEASE

In May 2008, the Commission entered into a facility sublease agreement with Derby USD No. 260 to operate the Oaklawn Activity Center, which includes a gymnasium and various other community facilities. The Derby USD No. 260 issued Certificates of Participation in the principal amount of $1,500,000 dated September 1, 2008 to partially finance planned improvements to the Oaklawn Activity Center. All project improvements remain the property of USD No. 260. The facility improvements were substantially completed in January 2010 and the total cost of the facility improvements incurred by Derby USD No. 260 were $2,266,258.

The lease agreement requires the Commission to pay Derby USD No. 260 lease payments sufficient to service the Certificates of Participation issued by Derby USD No. 260 related to the costs of expansion, repairs, remodeling and other related costs of the facility. USD No. 260 shall provide ground crew maintenance of the facility and the Commission is required to perform all maintenance and make all repairs and replacements necessary to keep the facility in good condition and shall provide for the cost of utilities for the gymnasium and the new improvements to the facility. USD No. 260 is responsible for property and casualty insurance however, the additional premiums to cover the newly constructed improvements shall be reimbursed to the USD by the Commission. The Commission has the option to renew the

6. OAKLAWN ACTIVITY CENTER PROJECT AND LEASE (continued)

lease for additional ten-year periods at a fee of $1 under the condition that all debt issued by USD No. 260 related to the facility are paid in full.

7. OTHER POSTEMPLOYMENT BENEFITS

As provided by K.S.A. 12-5040, the Commission allows retirees to participate in its group health insurance plan. While each retiree is required to pay the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level premium regardless of age. Further, under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Commission makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured and there is no cost to the Commission under this program. Currently, there are no former employees or retirees receiving health care benefits under the Commission's group health insurance plan. The affects of this postemployment benefit are not quantified in the accompanying financial statements and management believes any impact on the financial statements is not significant.

8. TAX ABATEMENTS

Derby USD No. 260 levies taxes on behalf of the Derby Recreation Commission, which are subject to tax abatement agreements entered into by the City of Derby, Kansas and Sedgwick County, Kansas. Those tax abatement programs include Economic Development Exemptions which Article 11, Section 13 of the Kansas Constitution gives counties and cities the authority to exempt from ad valorem taxation all or any portion of the valuation of buildings, land or other improvements used to facilitate business expansion and new employment creation. Kansas Statutes Annotated 79-213 et. seq. establishes procedures by which the taxable value of personal property being financed by industrial revenue bonds may be wholly or partially exempt.

The tax abatements granted by the City of Derby, Kansas and Sedgwick County, Kansas applicable to taxes levied on behalf of the Commission were approximately $51,718 for the year ended June 30, 2024.

9. COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 14, 2024, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

DERBY RECREATION COMMISSION

REQUIRED SUPPLEMENTARY INFORMATION

KPERS PENSION PLAN

Schedule of Commission's Proportionate Share of the Net Pension Liability
Last Ten Years *

	2024	2023	2022	2021	2020	2019	2018	2017	2016
Commission's proportionate percentage of the net pension liability	0.105652%	0.100293%	0.099285%	0.097885%	0.102489%	0.104572%	0.112075%	0.093208%	0.092505%
Commission's proportionate share of the net pension liability	$ 2,216,479	$ 1,993,869	$ 1,191,377	$ 1,696,987	$ 1,432,153	$ 1,457,514	$ 1,623,357	$ 1,441,955	$ 1,214,631
Commission's covered employee payroll	$ 2,467,263	$ 2,302,896	$ 2,016,031	$ 1,915,026	$ 1,852,924	$ 1,897,571	$ 1,863,404	$ 1,692,338	$ 1,639,924
Commission's proportionate share of the net pension liability as a percentage of its covered employee payroll	89.84%	86.58%	59.09%	88.61%	77.29%	76.81%	87.12%	85.20%	74.07%
Plan fiduciary net position as a percentage of the total pension liability	70.55%	70.66%	81.14%	70.77%	75.02%	74.22%	72.16%	68.55%	71.98%

Schedule of Commission's Contributions
Last Ten Years *

	2023	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 218,381	$ 199,759	$ 179,099	$ 167,283	$ 162,223	$ 163,715	$ 157,025	$ 157,965	$ 150,545
Contributions in relation to the contractually required contribution	(218,381)	(199,759)	(179,099)	(167,283)	(162,223)	(163,715)	(157,025)	(157,965)	(150,545)
Contribution deficiency (excess)	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Commission's covered employee payroll	$2,467,263	$2,302,896	$2,016,031	$1,915,026	$1,852,924	$1,897,571	$1,863,404	$1,793,088	$1,639,924
Contributions as a percentage of covered employee payroll	8.85%	8.67%	8.88%	8.74%	8.75%	8.63%	8.43%	8.81%	9.18%

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