TONGANOXIE RECREATION COMMISSION

Tonganoxie, Kansas

Financial Statements

For the Year Ended June 30, 2024

TONGANOXIE RECREATION COMMISSION
TONGANOXIE, KANSAS

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INDEPENDENT AUDITOR'S REPORT

Tonganoxie Recreation Commission
Tonganoxie, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Tonganoxie Recreation Commission (the Commission), a related municipal entity of the Tonganoxie Unified School District No. 464, Tonganoxie, Kansas, as of and for the year ended June 30, 2024, and the related notes to the financial statement.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis of Adverse and Unmodified Opinions" section of our report, the accompanying financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Commission as of June 30, 2024, or the changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Commission as of June 30, 2024, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* 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 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 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified opinions.

Matter Giving Rise to 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 *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

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.

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 and individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however, are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

Other Matter

The 2023 actual column presented in the individual fund schedules of regulatory basis receipts and expenditures—actual and budget for the year ended June 30, 2024 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of Tonganoxie Recreation Commission, Tonganoxie, Kansas as of and for the year ended June 30, 2023 (not presented herein), and have issued our report thereon dated December 14, 2023, which contained an unmodified opinion on the basic financial statement. The 2023 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link https://admin.ks.gov/offices/oar/municipalservices. The 2023 actual column (2023 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures—actual and budget for the year ended June 30, 2024 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2023 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2023 basic financial statement. The 2023 comparative information was subjected to the auditing procedures applied in the audit of the 2023 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2023 basic financial statement or to the 2023 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2023 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended June 30, 2023, on the basis of accounting described in Note 1.

Gordon CPA LLC

Certified Public Accountant
Lawrence, Kansas

December 18, 2024

TONGANOXIE RECREATION COMMISSION

Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended June 30, 2024

Fund	Beginning Unencumbered Cash Balance	Prior Period Adjustment	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add: Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General Fund:							
General	$ 849,086	$ -	$ 1,231,899	$ 1,072,103	$ 1,008,882	$ -	$ 1,008,882
Special Purpose Fund:							
Employee Benefits	77,332	-	103,500	111,272	69,560	-	69,560
Total	$ 926,418	$ -	$ 1,335,399	$ 1,183,375	$ 1,078,442	$ -	$ 1,078,442

Composition of Cash

First State Bank	Checking	$ 4,211
	Checking - Employee Benefits	54,921
	Checking - Money Market	1,006,251
	Checking - Jane Berry Memorial Fund	635
	Escrow	540
	Total First State Bank	1,066,558
Community National Bank	Checking - Money Market	11,884
	Total Community National Bank	11,884
	Total Cash	$ 1,078,442

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

NOTE 1 - Summary of Significant Accounting Policies

Reporting Entity

Tonganoxie Recreation Commission (the Commission) is a related municipal entity of the Tonganoxie Unified School District No. 464 (the District). The Commission operates as a separate governing body but the District levies the tax for the Commission and the Commission has only the powers granted by K.S.A. 12-1928. The Commission cannot purchase real property but can acquire real property by gift. The five members of the Commission's governing body are appointed as follows: two by the District, two by the City of Tonganoxie, and one by the District's and City's appointees.

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, and 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 for accounting.

Fund Descriptions

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

Governmental Funds

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 receipt sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Budgetary Information

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

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

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. 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. The budget was not amended for the year ended June 30, 2024.

The statues permit transferring budgeted amounts between line items within an individual fund. However, such statues 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 prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality 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 2 - Deposits and Investments

Deposits. K.S.A. 9-1401 establishes the depositories which may be used by the Commission. The statute requires banks eligible to hold the Commission's funds have a main or branch bank in the county in which the Commission is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Commission has no other policies that would further limit interest rate risk.

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

NOTE 2 - Deposits and Investments (Continued)

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%. All deposits were legally secured as of June 30, 2024.

As of June 30, 2024, the Commission's carrying amount of deposits was $1,078,442, and the bank balance was $1,261,158. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, $261,884 was covered by federal depository insurance and $999,274 was collateralized with securities held by the pledging financial institutions' agents in the Commission's name.

NOTE 3 - Compensated Absences

The Recreation Commission's policy regarding sick pay is to grant personnel sick leave at 10 days a year up to 90 days; no compensation is paid out for unused sick days. The Recreation Commission allows vacation leave at two weeks per year. After 10 years of service, vacation leave increases to three weeks per year. After 15 years of service, vacation leave increases to four weeks per year. The Commission also grants two personal days each year. The Commission has not computed or recorded the liability for compensated absences at year end.

NOTE 4 - Long-Term Debt

Finance Leases. The following table summarizes changes in long-term debt for the year ended June 30, 2024:

Type of Issue	Beginning Principal Outstanding	Additions to Principal	Reductions of Principal	Principal Outstanding June 30, 2024	Interest Paid
Finance Leases	$ 206,705	$ -	$ 80,705	$ 126,000	$ 426

The following table details the Commission's outstanding finance leases as of June 30, 2024:

Debt Issue	Date Issued	Interest Rate	Maturity Date	Original Amount	Outstanding Amount
Ballfield Lights	2/19/2021	1.56%	2/19/2026	$ 597,000	$ -
Office Space	8/17/2022	0.00%	12/31/2028	180,000	126,000
				$ 777,000	$ 126,000

Annual debt service requirements to maturity for leases to be paid with tax levies:

Year Ending June 30,	Principal Due	Interest Due	Total Due
2025	$ 36,000	$ -	$ 36,000
2026	36,000	-	36,000
2027	36,000	-	36,000
2027	18,000	-	18,000
Total	$ 126,000	$ -	$ 126,000

NOTE 5 - Retirement Plan

The Recreation Commission offers a SEP-IRA retirement plan to qualifying employees. The Commission contributes 10% of gross W-2 wages to the retirement plan.

For the year ended June 30, 2024, the Commission recognized pension expense of $21,470.

NOTE 6 - Risk Management

The Recreation 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 Recreation Commission carries commercial insurance for risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 7 - Contingencies

The Recreation Commission is a party to various claims, none of which is expected to have material financial impact on the Commission.

TONGANOXIE RECREATION COMMISSION

Summary of Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2024

Fund	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year Budget	Variance Over [Under]
General Fund:					
General	$ 1,442,844	$ -	$ 1,442,844	$ 1,072,103	$ [370,741]
Special Purpose:					
Employee Benefits	120,100	-	120,100	111,272	[8,828]

See independent auditor's report on the financial statements.

TONGANOXIE RECREATION COMMISSION

General Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2024
(With Comparative Actual Amounts For the Year Ended June 30, 2023)

	Prior Year Actual	Current Year Actual	Current Year Budget	Current Year Variance Over [Under]
Receipts				
District Funding	$ 864,540	$ 896,000	$ 844,735	$ 51,265
Interest	8,816	13,804	8,000	5,804
Athletic Fees	64,538	78,210	75,000	3,210
Camps and Clinics	3,216	6,130	-	6,130
Advertising	5,750	6,955	5,000	1,955
Other Programs	13,863	24,023	-	24,023
Miscellaneous	514	6,777	500	6,277
Grants/Donations Income	1,000	200,000	150,000	50,000
Total Receipts	962,237	1,231,899	$ 1,083,235	$ 148,664
Expenditures				
Administration	336,545	383,642	$ 543,195	$ [159,553]
Programs	99,327	135,144	113,149	21,995
Grounds and Maintenance	222,403	145,051	196,500	[51,449]
Capital Improvements	282,365	408,266	590,000	[181,734]
Total Expenditures	940,640	1,072,103	$ 1,442,844	$ [370,741]
Receipts Over [Under] Expenditures	21,597	159,796		
Unencumbered Cash, Beginning	827,489	849,086		
Unencumbered Cash, Ending	$ 849,086	$ 1,008,882		

TONGANOXIE RECREATION COMMISSION

Employee Benefits Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2024
(With Comparative Actual Amounts For the Year Ended June 30, 2023)

	Prior Year Actual	Current Year Actual	Current Year Budget	Current Year Variance Over [Under]
Receipts				
District Funding	$ 102,650	$ 103,500	$ 98,225	$ 5,275
Total Receipts	102,650	103,500	$ 98,225	$ 5,275
Expenditures				
Employer's FICA	23,073	24,601	$ 31,000	$ [6,399]
Retirement IRA	20,399	21,470	25,000	[3,530]
Health Insurance	50,000	60,500	60,500	-
Workman's Compensation	2,445	4,701	3,600	1,101
Total Expenditures	95,917	111,272	$ 120,100	$ [8,828]
Receipts Over [Under] Expenditures	6,733	[7,772]		
Unencumbered Cash, Beginning	70,599	77,332		
Unencumbered Cash, Ending	$ 77,332	$ 69,560		