DERBY RECREATION COMMISSION

COMPONENT UNIT

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2023

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, 2023 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, 2023 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the commission implemented Governmental Accounting Standards Board Statement No. 87, Leases. Our opinion is not modified with respect to this matter.

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 Commisison'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
September 29, 2023

DERBY RECREATION COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2023

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, 2023. 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 $6,795,886 (net position). Of this amount, $2,795,599 (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 $97,961 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 $4,362,054 an increase of $180,778 or 4.32%. Of the ending combined fund balance amount, $-0- is restricted, $4,362,054 is assigned and $-0- is unassigned.

- At the end of the current fiscal year, $4,362,054 is assigned to assist in funding the subsequent year's budget. The total ending uncommitted fund balance for the General Fund was $4,296,200 or 69.93% 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 105% of its 2023 budgeted tax distributions prior to June 30, 2023 from Derby Unified School District No. 260.

Capital assets (e.g., buildings and improvements, machinery, equipment and vehicles) net of related debt, comprises 57.9% 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 2024. 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 2023.

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 $6,795,886 as of June 30, 2023. The Commission's net position reflects $3,934,433 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 $2,795,599 may be used to meet the Commission's ongoing obligations to citizens and creditors.

DERBY RECREATION COMMISSION
COMPARATIVE SUMMARY OF NET POSITION
June 30, 2023 and 2022

	Governmental Activities	
	2023	2022
Current and other assets	$ 4,746,514	$ 4,557,769
Capital assets	8,589,092	8,939,239

	Governmental Activities	
	2023	2022
Total assets	$13,335,606	$13,497,008
Deferred outflows of resources related to pensions	785,863	497,127
Long-term liabilities	6,713,920	6,210,918
Other liabilities	396,987	390,218
Total liabilities	7,110,907	6,601,136
Deferred inflows of resources:		
Related to refunded debt	174,659	187,329
Related to pensions	40,017	507,745
Total deferred inflows	214,676	695,074
Net position:		
Net investment in capital assets	3,934,433	3,946,910
Restricted for employee benefits	65,854	–
Unrestricted	2,795,599	2,751,014
Total net position	$ 6,795,886	$ 6,697,925

Analysis of the Commission's operations – The following table provides a summary of the Commission's operations for the years ended June 30, 2023 and 2022. The Commission's net position increased by $97,961, which represents a 1.46% increase in net position.

DERBY RECREATION COMMISSION
COMPARATIVE SCHEDULE OF CHANGES IN NET POSITION
Fiscal Year Ended June 30, 2023 and 2022

	Governmental Activities	
	2023	2022
Revenues:		
Program revenues:		
Charges for services	$ 2,795,630	$ 2,605,090
Operating grants and contributions	445,231	410,873
Capital grants and contributions	–	–
General revenues:		
Payments from Unified School District No. 260 for property taxes	3,921,245	3,488,182
Investment earnings	106,197	10,649
Total revenues	7,268,303	6,514,794

	Governmental Activities	
	2023	2022
Expenses:		
Recreation Center	$ 2,114,629	$ 1,852,550
General operating	1,655,932	1,457,809
Maintenance	212,108	200,341
Adult programs	699,633	679,834
Youth programs	740,220	709,397
Oaklawn programs	158,235	106,188
Special programs	3,387	3,390
Rock River Rapids	792,608	691,232
Oaklawn Recreation Center	279,595	203,199
Hubbard Center	307,220	255,369
Bus operations and other	58,818	26,510
Interest on long-term debt	147,957	149,791
Total expenses	7,170,342	6,335,610
Increase in net position	97,961	179,184
Net position – July 1	6,697,925	6,518,741
Net position – June 30	$ 6,795,886	$ 6,697,925

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

- Total revenues increased by $753,509, or approximately 11.57%, and total expenses increased by $834,732 or approximately 13.18 %, for 2023.

- Payments received from Derby Unified School District No. 260 increased by $433,063 (12.42%) during the fiscal year. The General Fund tax receipts increased by $321,628 and the Employee Benefits Fund increased $111,435. These changes were anticipated in the preparation of the Commission's 2023 budget.

- Charges for services increased $190,540, or 7.3% from 2022. The 2023 increase in charges for service was directly related to the increase in visitors at Rock River Rapids.

- Operating grants and contributions increased by $34,358 for 2023.

- Total governmental activities expenses increased by $834,732, or about 13.18% for 2023. Recreation Center and General Operating expenses increased by $459,915. Rock River Rapids expenses increased by $101,376. The combined increase of $273,154 were in Maintenance, Adult programs, Youth programs, Oaklawn programs, Special programs, Oaklawn recreation center, Hubbard Center, Business operations and other.

- Approximately 47% of total functional expenses are payroll and related benefit costs. Salary costs increased approximately $429,075 for 2023.

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 $4,362,054 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 $6,258,105 for 2023 compared to $5,616,031 for 2022, or an increase of $642,074. The tax appropriations from Derby Unified School District No. 260 increased by $321,628 and other charges and fees increased by $77,242. Rock River Rapids charges increased $101,663 for 2023 and interest earnings increased by $95,548. General fund total expenditures increased by $767,071 with Recreation Center expenditures increasing by $278,553. Rock River Rapids expenditures increased by $101,663. General operating expenditures increased by $154,079 and all other functional expenditure areas increasing a combined $232,776.

The Employee Benefit Fund total revenues increased by $111,435, which was related to tax appropriations from Derby Unified School District No. 260. Expenditures increased by $18,514.

General Fund Budgetary Highlights – The General Fund total actual revenues ($6,258,105) were 112.37% of the total amount anticipated in the 2023 budget. Expenditures on a budgetary basis totaled $6,115,873, which represented only 62.10% of the budgeted expenditures for 2023. The result was an increase in budgetary basis fund balance for the General Fund in the amount of $142,232, or about a 3.44% increase from the beginning of the year fund balance. The actual carry over balance to the 2022 budget was $4,274,793 and the anticipated carry over balance in funding the 2023 budget was $4,363,832, a difference of $89,039.

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 2024 budget year is January 20, 2024. 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, 2023 amounts to $8,589,092 (net of accumulated depreciation). The investment in capital assets includes buildings and improvements, machinery and equipment and vehicles. Capital asset acquisitions totaled $132,549 during 2023. Major capital asset events during the current fiscal year included the following:

- The purchase of a 2022 Ford F-250 at a cost of $33,997.
- Purchase of new fitness equipment at a total cost of $66,565.

Capital Assets at Year-End
Net of Accumulated Depreciation
June 30, 2023 and 2022

	Governmental Activities	
	2023	2022
Buildings and improvements	$2,060,448	$2,161,139
Machinery and equipment	662,264	770,946
Vehicles	27,198	974
Right-of-use leased buildings and improvements	5,839,182	6,006,180
Total	$8,589,092	$8,939,239

Additional information on the Commission's capital assets can be found in Note 3 on page 26 – 27 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 $4,480,000 related to the Derby Recreation Center remodel, Decarsky ball field and Hubbard Arts Center projects. During the current fiscal year, $325,000 on the capital lease obligation with the City of Derby was retired. The Commission's total commitments for compensated absences totaled $240,051 at the end of the current fiscal year, a net increase of $25,510. The Commission's unfunded net pension liability related to the Kansas Public Employees Retirement System (KPERS) was $1,993,869 at June 30, 2023, a net increase of $802,492.

Additional information on the Commission's long-term debt can be found in Note 4 on pages 27 – 29 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In the 2023-2024 budget, General Fund revenues are budgeted to increase $521,496 or about 9.36% from the 2022-2023 budget year with appropriations from Derby Unified School District No. 260 representing about 52.19% of the total General Fund budgeted revenues. Total General Fund budgeted expenditures for the 2023-2024 budget year are $10,454,735, an increase of $605,560 from the 2022-2023 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, 2023

	Governmental Activities
ASSETS	
Cash and investments	$ 4,668,610
Accounts receivable	44,910
Accrued interest receivable	32,994
Capital assets:	
Buildings and improvements	4,964,572
Machinery and equipment	2,970,724
Vehicles	350,119
Right-of-use leased buildings and improvements	6,971,970
Accumulated depreciation and amortization	(6,668,293)
Total Assets	13,335,606
DEFERRED OUTLFOWS OF RESOURCES	
Deferred outflows of resources related to pensions	785,863
LIABILITIES	
Accounts payable	279,376
Accrued salaries and benefits payable	105,084
Accrued interest payable	12,527
Noncurrent liabilities:	
Due within one year	407,303
Due in more than one year	6,306,617
Total Liabilities	7,110,907
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to refunded debt	174,659
Deferred inflows of resources related to pensions	40,017
Total Deferred Inflows	214,676
NET POSITION	
Investment in capital assets, net	3,934,433
Restricted for employee benefits	65,854
Unrestricted	2,795,599
Total Net Position	$ 6,795,886

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

DERBY RECREATION COMMISSION

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2023

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	$ 2,114,629	$ 1,189,601	$ –	$ –	$ (925,028)
General Operating	1,655,932	26,842	–	–	(1,629,090)
Maintenance	212,108	32,510	–	–	(179,598)
Adult Programs	699,633	226,630	5,149	–	(467,854)
Youth Programs	740,220	506,255	225,303	–	(8,662)
Oaklawn Programs	158,235	60	213,354	–	55,179
Special Programs	3,387	1,092	–	–	(2,295)
Rock River Rapids	792,608	792,608	–	–	–
Oaklawn Recreation Center	279,595	6,880	375	–	(272,340)
Hubbard Center	307,220	13,152	–	–	(294,068)
Bus operations and other	58,818	–	1,050	–	(57,768)
Interest on long-term debt	147,957	–	–	–	(147,957)
Total Governmental Activities	$ 7,170,342	$ 2,795,630	$ 445,231	$ –	$ (3,929,481)
General Revenues:					
Payments received from Derby USD No. 260 for:					
General operations					$ 2,911,047
Employee benefits					1,010,198
Investment earnings					106,197
Total General Revenues					4,027,442
Increase in Net Position					97,961
Net Position, Beginning of Year					6,697,925
Net Position, End of Year					$ 6,795,886

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

FUND FINANCIAL STATEMENTS

DERBY RECREATION COMMISSION

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2023

	General	Employee Benefit	Total Governmental Funds
ASSETS			
Cash and investments	$ 4,568,546	$ 100,064	$ 4,668,610
Accounts receivable	44,910	–	44,910
Accrued interest receivable	32,994	–	32,994
Total assets	$ 4,646,450	$ 100,064	$ 4,746,514
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 279,376	$ –	$ 279,376
Accrued salaries and benefits payable	70,874	34,210	105,084
Total liabilities	350,250	34,210	384,460
Fund balances:			
Restricted for Employee Benefits	–	–	–
Committed to:			
Capital Improvements	–	–	–
Assigned for subsequent year's budget deficit	4,296,200	–	4,296,200
Unassigned	–	65,854	65,854
Total fund balances	4,296,200	65,854	4,362,054
Total liabilities and fund balances	$ 4,646,450	$ 100,064	$ 4,746,514

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, 2023

Total Governmental Fund Balances		$ 4,362,054
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	$ 15,257,385	
Accumulated depreciation	(6,668,293)	
		8,589,092
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		785,863
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		(214,676)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Accrued interest payable	12,527	
Compensated absences payable	240,051	
Net pension liability	1,993,869	
Capital lease obligations payable	4,480,000	
		(6,726,447)
Net Position of Governmental Activities		$ 6,795,886

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, 2023

	General	Employee Benefit	Total Governmental Funds
Revenues:			
Appropriation from USD No. 260	$ 2,911,047	$ 1,010,198	$ 3,921,245
Recreation Center fees, gifts and grants	1,189,601	–	1,189,601
Adult programs	231,779	–	231,779
Youth programs	731,558	–	731,558
Oaklawn programs	213,414	–	213,414
Special programs	1,092	–	1,092
Oaklawn Activity Center	7,255	–	7,255
Rock River Rapids	792,608	–	792,608
Interest	106,197	–	106,197
Hubbard Center	13,152	–	13,152
Other	60,402	–	60,402
Total revenues	6,258,105	1,010,198	7,268,303
Expenditures:			
Current:			
Recreation Center	1,598,045	250,629	1,848,674
General operating	1,298,140	303,796	1,601,936
Maintenance	192,696	33,996	226,692
Adult programs	543,508	148,734	692,242
Youth programs	616,352	115,399	731,751
Oaklawn programs	109,781	34,374	144,155
Special programs	3,387	–	3,387
Oaklawn Activity Center	251,166	36,074	287,240
Hubbard Center	191,855	21,342	213,197
Rock River Rapids	792,608	–	792,608
Bus and other	58,818	–	58,818
Debt service	486,825	–	486,825
Total expenditures	6,143,181	944,344	7,087,525
Revenues over expenditures	114,924	65,854	180,778
Fund balances, beginning of year	4,181,276	–	4,181,276
Fund balances, end of year	$ 4,296,200	$ 65,854	$ 4,362,054

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, 2023

Net Change in Fund Balances – Total Governmental Funds		$ 180,778
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	$ 132,549	
Depreciation	(479,903)	
Excess of depreciation over capital outlay		(347,354)
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		(2,793)
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due		1,198
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		(46,028)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets		325,000
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	(25,510)	
Amortization of gain on refunded debt	12,670	
Total		(12,840)
Change in Net Position of Governmental Activities		$ 97,961

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, 2023

	Budgeted Amounts		Actual	Variance With Final Budget - Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Appropriation from USD No. 260	$ 2,776,659	$ 2,776,659	$ 2,911,047	$ 134,388
Recreation Center fees	1,038,749	1,038,749	1,189,601	150,852
Adult programs	217,218	217,218	231,779	14,561
Youth programs	585,582	585,582	731,558	145,976
Oaklawn programs	194,500	194,500	213,414	18,914
Special programs	250	250	1,092	842
Oaklawn Activity Center	6,350	6,350	7,255	905
Rock River Rapids	650,000	650,000	792,608	142,608
Interest	20,000	20,000	106,196	86,196
Hubbard Art Center	20,000	20,000	13,153	(6,847)
Other	60,099	60,099	60,402	303
Total revenues	5,569,407	5,569,407	6,258,105	688,698
Expenditures and encumbrances:				
Recreation Center	1,402,289	1,402,289	1,277,297	124,992
General operating	1,402,698	1,402,698	1,288,764	113,934
Maintenance	157,740	157,740	154,512	3,228
Adult programs	619,704	619,704	543,507	76,197
Youth programs	738,823	738,823	616,352	122,471
Oaklawn programs	180,766	180,766	109,781	70,985
Special programs	2,714	2,714	3,387	(673)
Oaklawn Activity Center	339,640	339,640	251,166	88,474
Hubbard Center	448,680	448,680	207,921	240,759
Rock River Rapids	650,000	650,000	792,608	(142,608)
Bus and other	106,749	106,749	58,818	47,931
Capital outlay	–	–	324,935	(324,935)
Debt Service	3,799,372	3,799,372	486,825	3,312,547
Total expenditures and encumbrances	9,849,175	9,849,175	6,115,873	3,733,302
Revenues over (under) expenditures and encumbrances	(4,279,768)	(4,279,768)	142,232	4,422,000
Fund balance, beginning of year	4,279,768	4,279,768	4,132,561	(147,207)
Fund balance, end of year	$ –	$ –	$ 4,274,793	$ 4,274,793

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, 2023

	Budgeted Amounts		Actual	Variance With Final Budget - Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Appropriation from USD No. 260	$ 971,397	$ 971,397	$ 1,010,198	$ 38,801
Expenditures:				
FICA and Medicare taxes	244,800	244,800	238,276	6,524
Workmen's compensation insurance	24,000	24,000	11,292	12,708
Unemployment insurance	10,240	10,240	4,544	5,696
Health insurance	365,827	365,827	353,372	12,455
Retirement benefits	301,530	301,530	336,667	(35,137)
Other	–	–	193	(193)
Total expenditures	946,397	946,397	944,344	2,053
Revenues over (under) expenditures	25,000	25,000	65,854	40,854
Fund balance, beginning of year	–	–	–	–
Fund balance, end of year	$ 25,000	$ 25,000	$ 65,854	$ 40,854

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

NOTES TO THE FINANCIAL STATEMENTS

DERBY RECREATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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 increasing 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.

Adoption of New Accounting Standards

In 2023, the Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 87, "Leases," which revised existing standards on lease accounting and financial reporting. No changes to prior period net position was necessary due to adoption of this standard.

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 on the government-wide statement of net position as a deferred outflow of resources.

In addition to liabilities, the statement of net position 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 Members 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, 2023.

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, 2023	$ 4,296,200	$ –
Adjustments:		
Reserved for encumbrances	21,407	–
Budgetary Basis Fund Balance at June 30, 2023	$ 4,274,793	$ –

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 $4,660,264 with the bank balances of such accounts being $4,771,263. Of the bank balances, $645,885 was covered by federal depository insurance and the remaining balance of $4,125,378 was covered by pledged collateral held at its custodial banks in joint custody in the name of the Commission and its banks with a fair value of $6,475,086 at June 30, 2023.

The Commission had cash on hand at June 30, 2023 of $8,346.

3. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 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	–	–	4,964,572
Machinery and equipment	2,901,680	98,552	29,508	2,970,724
Vehicles	316,122	33,997	–	350,119
Total assets being depreciated	8,182,374	132,549	29,508	8,285,415
Less accumulated depreciation for:				
Buildings and improvements	2,803,835	101,093	–	2,904,928
Machinery and equipment	2,130,332	204,039	26,715	2,307,656
Vehicles	315,148	7,773	–	322,921
Total accumulated depreciation	5,249,315	312,905	26,715	5,535,505
Total capital assets being depreciated, net	2,933,059	(180,356)	2,793	2,749,910
Right-of-use assets being amoritzed:				
Buildings and improvements	6,971,970	–	–	6,971,970
Less accumulated amortization	965,790	166,998	–	1,132,788
Right-of-use assets being amortized, net	6,006,180	166,998	–	5,839,182
Capital assets, net	$ 8,939,239	$ (13,358)	$ 2,793	$ 8,589,092

3. CHANGES IN CAPITAL ASSETS (continued)

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

Governmental Activities:	
Recreation Center	$ 333,673
General Operations	29,881
Maintenance	17,512
Oaklawn Recreation Center	9,186
Hubbard Center	89,651
Total depreciation expense – Governmental Activities	$ 479,903

4. LONG-TERM DEBT

During the fiscal year ended June 30, 2023, the Commission's long-term debt changed as follows:

	Right-to-use Lease Obligations Payable	Compensated Absences	Net Pension Liability	Total Long-Term Debt
Beginning of year	$ 4,805,000	$ 214,541	$ 1,191,377	$ 6,210,918
Additions	–	165,966	802,492	968,458
Deletions	(325,000)	(140,456)	–	(465,456)
End of year	$ 4,480,000	$ 240,051	$ 1,993,869	$ 6,713,920
Amount due within one year	$ 335,000	$ 72,303	$ –	$ 407,303

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-to-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, 2023, were as follows:

Year ending June 30,	Amount
2024	$ 482,300
2025	482,675
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	5,305,675
Less amount representing interest	(825,675)
Present value of minimum lease payments	$ 4,480,000

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 8.90% for the period from July 1, 2022 to December 31, 2022 and 8.43% for the period from January 1, 2023 to June 30, 2023. Member contribution rates as a percentage of eligible compensation for the fiscal year ended June 30, 2023 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, 2022 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, 2022. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2022, the Commission's proportion was 0.100293%, which was an increase of 0.001008% from its proportion measured at June 30, 2021.

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, 2022, the outstanding balance was $2,564,230. These payments are due over various time periods up through December 31, 2032.

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

5. PENSION PLAN (continued)

At June 30, 2023, the Commission reported a liability of $1,993,869 for its proportionate share of the net pension liability. The collective net pension liability was measured by KPERS as of June 30, 2022, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2021, which was rolled forward to June 30, 2022.

For the year ended June 30, 2023, the Commission recognized pension expense of $245,936. At June 30, 2022 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	$ 199,759	$ –
Differences between expected and actual experience	75,416	3,574
Net difference between projected and actual earnings on pension plan investments	168,781	–
Changes in assumptions	318,709	–
Changes in proportion	23,198	36,443
Total	$ 785,863	$ 40,017

The Commission reported $785,863 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, 2024. 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	$ 138,815
2024	139,047
2025	77,135
2026	183,826
2027	7,265
Thereafter	–

5. PENSION PLAN (continued)

Actuarial assumptions

The total pension liability at the June 30, 2023 measurement date, was determined by an actuarial valuation as of December 31, 2021, which was rolled forward to June 30, 2022. 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, 2022 was 7.00 percent. The discount rate used to measure total pension liability at the prior measurement date of June 30, 2021 was 7.25 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.

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, 2022, 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, 2022		
	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Amount due within one year	$ 2,864,258	$ 1,993,869	$1,268,709

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 to gymnasium and the new addition to the facility. USD No. 260 is responsible for property and casualty insurance however, the additional premiums to cover the newly constructed addition 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 $40,651 for the year ended June 30, 2023.

9. COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 29, 2023, 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 Nine Years *

	2023	2022	2021	2020	2019	2018	2017	2016
Commission's proportionate percentage of the net pension liability	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	$ 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	$ 2,302,896	$ 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	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	70.66%	81.14%	70.77%	75.02%	74.22%	72.16%	68.55%	71.98%

Schedule of Commission's Contributions
Last Nine Years *

	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 199,759	$ 179,099	$ 167,283	$ 162,223	$ 163,715	$ 157,025	$ 157,965	$ 150,545
Contributions in relation to the contractually required contribution	(199,759)	(179,099)	(167,283)	(162,223)	(163,715)	(157,025)	(157,965)	(150,545)
Contribution deficiency (excess)	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Commission's covered employee payroll	$2,302,896	$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	8.67%	8.88%	8.74%	8.75%	8.63%	8.43%	8.81%	9.18%

* – Data became available with the inception of GASB Statement No. 68 during fiscal year 2015, therefore 10 years of data is unavailable.

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