DERBY RECREATION COMMISSION

COMPONENT UNIT

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2021

GBN, P.A.
Certified Public Accountants

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GBN, P.A.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Derby Recreation Commission
Derby, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the 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, 2021, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

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

GBN, P.A.

Wichita, Kansas
November 1, 2021

DERBY RECREATION COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2021

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, 2021. 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 $6,518,741 (net position). Of this amount, $2,478,055 (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 $51,896 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 $3,968,422 an increase of $228,340 or 6.1%. Of the ending combined fund balance amount, $27,067 is restricted, $3,908,476 is assigned and $32,879 is unassigned.

- At the end of the current fiscal year, $3,908,476 is assigned to assist in funding the subsequent year's budget. The total ending uncommitted fund balance for the General Fund was $3,941,355 or 84% 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, bus and other activities.

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The assets of the Commission are classified as current assets and capital assets. Cash, investments and receivables are current assets. These assets are available to provide resources for the near-term operations of the Commission. The majority of the current assets are comprised of cash and investments. The significant cash and investment balances are the result of the State legislature's accelerated tax collection of the second half property tax payments previously due June 20 (July 20 distribution) to May 10 (June 5 distribution). As a result of this change, the Commission has received approximately 99% of its 2021 budgeted tax distributions prior to June 30, 2021 from Derby Unified School District No. 260.

Capital assets (e.g., buildings and improvements, machinery, equipment and vehicles) net of related debt, comprises 62.0% 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 2022. 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 2021.

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 $6,518,741 as of June 30, 2021. The Commission's net position reflects $4,013,619 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 $2,478,055 may be used to meet the Commission's ongoing obligations to citizens and creditors.

DERBY RECREATION COMMISSION
COMPARATIVE SUMMARY OF NET POSITION
June 30, 2021 and 2020

	Governmental Activities	
	2021	2020
Current and other assets	$ 4,357,754	$ 4,163,470
Capital assets	9,343,619	9,203,396

	Governmental Activities	
	2021	2020
Total assets	$13,701,373	$13,366,866
Deferred outflows of resources related to pensions	585,023	382,167
Long-term liabilities	7,231,991	6,721,140
Other liabilities	402,484	435,719
Total liabilities	7,634,475	7,156,859
Deferred inflows of resources related to pensions	133,180	125,329
Net position:		
Net investment in capital assets	4,013,619	4,118,396
Restricted for employee benefits	27,067	26,726
Unrestricted	2,478,055	2,321,723
Total net position	$ 6,518,741	$ 6,466,845

Analysis of the Commission's operations – The following table provides a summary of the Commission's operations for the years ended June 30, 2021 and 2020. The Commission's net position increased by $51,896, which represents a 1.5% increase in net position.

DERBY RECREATION COMMISSION
COMPARATIVE SCHEDULE OF CHANGES IN NET POSITION
Fiscal Year Ended June 30, 2021 and 2020

	Governmental Activities	
	2021	2020
Revenues:		
Program revenues:		
Charges for services	$ 2,147,724	$ 2,063,617
Operating grants and contributions	45,493	16,315
Capital grants and contributions	–	–
General revenues:		
Payments from Unified School District No. 260 for property taxes	3,718,821	3,707,578
Investment earnings	7,746	41,579
Total revenues	5,919,784	5,829,089

	Governmental Activities	
	2021	2020
Expenses:		
Recreation Center	$ 1,930,915	$ 1,898,462
General operating	1,302,090	1,417,400
Maintenance	187,955	170,385
Adult programs	652,598	469,332
Youth programs	592,753	345,100
Oaklawn programs	79,489	145,528
Special programs	827	8,925
Rock River Rapids	567,256	539,483
Oaklawn Recreation Center	188,205	257,468
Hubbard Center	185,439	65,496
Bus operations and other	24,545	29,117
Interest on long-term debt	155,816	120,966
Total expenses	5,867,888	5,467,662
Increase in net position	51,896	361,427
Net position – July 1	6,466,845	6,105,418
Net position – June 30	$ 6,518,741	$ 6,466,845

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

- Total revenues increased by $90,695, or approximately 1.56%, and total expenses increased by $400,226 or approximately 7.32 %, for 2021.
- Payments received from Derby Unified School District No. 260 increased by $11,243 (0.30%) during the fiscal year. The General Fund tax receipts decreased by $7,996 and the Employee Benefits Fund increased $19,239. These changes were anticipated in the preparation of the Commission's 2021 budget.
- Charges for services increased $84,107, or 4.08% from 2020. The 2020 decrease in charges for service was directly related to facility closures to help reduce the spread of COVID-19.
- Operating grants and contributions increased by $29,178 for 2021.
- Total governmental activities expenses increased by $400,226, or about 7.32% for 2021. General operating, Oaklawn programs, Special Programs and Oaklawn Recreation Center expenses decreased by $258,710 which were offset by a combined increase of $658,936 in recreation center, maintenance, adult programs, youth programs, Rock River Rapids and the Hubbard Center. Interest expense increased $34,850.
- Approximately 61% of total functional expenses are payroll and related benefit costs. Salary costs increase approximately $107,910 for 2021.

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 $3,968,422 with approximately 98.49% 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 $4,945,752 for 2021 compared to $4,874,296 for 2020, or an increase of $71,456. The tax appropriations from Derby Unified School District No. 260 increased by $11,243 and other charges and fees increased by $84,107. Rock River Rapids charges increased $27,773 for 2021 and interest earnings decreased $33,833. General fund total expenditures increased by $36,626 with debt service expenditures increasing $134,850. Adult and Youth programs expenditures increasing by $128,588 and $201,280 respectively. Hubbard Center expenditures decreased by $257,235 and all other functional expenditure areas decreased a combined $170,857.

The Employee Benefit Fund total revenues decreased by $19,489, which was related to tax appropriations from Derby Unified School District No. 260. Expenditures increased by $33,501.

General Fund Budgetary Highlights – The General Fund total actual revenues ($4,945,752) were 93.31% of the total amount anticipated in the 2021 budget. Expenditures on a budgetary basis totaled $4,717,753, which represented only 51.85% of the budgeted expenditures for 2021. The result was an increase in budgetary basis fund balance for the General Fund in the amount of $227,999, or about a 6.14% increase from the beginning of the year fund balance. The actual carry over balance to the 2021 budget was $3,941,346 and the anticipated carry over balance in funding the 2022 budget was $3,908,476, a difference of $32,870.

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 2022 budget year is January 20, 2022. This requires sufficient cash reserves to meet obligations during that period.

The economic changes at the national, state and local levels will require continuous monitoring and may effect future assessed valuations and membership renewals. The completion of the Derby Recreation Center remodel project has had a positive reaction from patrons resulting in increased memberships. However, the COVID-19 pandemic has created economic uncertainties that may negatively impact the Commission's operations and the Commission has experienced significant decreases in memberships subsequent to year end. The Commission's 10-year pro-forma forecasts will need to be monitored closely to identify if our past performance supports future projections, or if adjustments need to be made to cover future obligations. A healthy fund balance will provide protection against any detrimental financial effects of these situations.

CAPITAL ASSETS

The Commission's investment in capital assets for its governmental activities as of June 30, 2021 amounts to $9,343,619 (net of accumulated depreciation). The investment in capital assets includes buildings and improvements, machinery and equipment and vehicles. Capital asset acquisitions totaled $676,910 during 2021. Major capital asset events during the current fiscal year included the following:

- The addition of ball field in Decarsky park for $550,000.
- Purchase of new fitness equipment at a total cost of $56,500.
- Purchase of new mower at a cost of $11,839.

Capital Assets at Year-End
Net of Accumulated Depreciation
June 30, 2021 and 2020

	Governmental Activities	
	2021	2020
Buildings and improvements	$ 8,412,598	$ 8,124,003
Machinery and equipment	923,301	1,057,348
Vehicles	7,720	22,045
Construction work in progress	–	–
Total	$ 9,343,619	$ 9,203,396

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 $5,330,000 related to the Derby Recreation Center remodel, Decarsky ball field and Hubbard Arts Center projects. During the current fiscal year, $305,000 principal on the capital lease obligation with the City of Derby was retired. The Commission's total commitments for compensated absences totaled $205,004 at the end of the current fiscal year, a net increase of $1,017. The Commission's unfunded net pension liability related to the Kansas Public Employees Retirement System (KPERS) was $1,696,987 at June 30, 2021, a net increase of $264,834.

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 2021-2022 budget, General Fund revenues are budgeted to decrease $100,998 or about 1.91% from the 2020-2021 budget year with appropriations from Derby Unified School District No. 260 representing about 55.18% of the total General Fund budgeted revenues. Certified assessed valuations estimated for the 2021-2022 budget year, on which the USD No. 260 appropriations are derived, decreased about 1.30% from the preceding year. The Commission's total estimated assessed valuations for the 2021-2022 budget year are $452,551,945. Total General Fund budgeted expenditures for the 2021-2022 budget year are $9,107,717, an increase of $9,510 from the 2020-2021 budget year.

Due to stable certified assessed valuations, the mill levy for the General Fund of the Commission reflected an increase of .000 for the 2021-2022 budget as compared to the 2020-2021 budget. The Employee Benefit Fund budgeted expenditures increased for the 2021-2022 budget in the amount of $10,877. The 2021-2022 mill levy rate for the Employee Benefit Fund is 1.918 mills compared to the 2020-2021 budget of 1.918.

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, 2021

		Governmental Activities
ASSETS		
Cash and investments	$	4,331,202
Accounts receivable		26,552
Accrued interest receivable		–
Capital assets:		
Buildings and improvements		11,914,131
Machinery and equipment		2,839,458
Vehicles		316,122
Accumulated depreciation		(5,726,092)
Total Assets		13,701,373
DEFERRED OUTLFOWS OF RESOURCES		
Deferred outflows of resources related to pensions		585,023
LIABILITIES		
Accounts payable		266,553
Accrued salaries and benefits payable		122,779
Accrued interest payable		13,152
Noncurrent liabilities:		
Due within one year		403,631
Due in more than one year		6,828,360
Total Liabilities		7,634,475
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions		133,180
NET POSITION		
Investment in capital assets, net		4,013,619
Restricted for employee benefits		27,067
Unrestricted		2,478,055
Total Net Position	$	6,518,741

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

DERBY RECREATION COMMISSION

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2021

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	$ 1,930,915	$ 974,032	$ –	$ –	$ (956,883)
General Operating	1,302,090	30,418	–	–	(1,271,672)
Maintenance	187,955	10,530	–	–	(177,425)
Adult Programs	652,598	165,912	1,017	–	(485,669)
Youth Programs	592,753	383,836	22,426	–	(186,491)
Oaklawn Programs	79,489	70	19,650	–	(59,769)
Special Programs	827	1,831	–	–	1,004
Rock River Rapids	567,256	567,256	–	–	–
Oaklawn Recreation Center	188,205	3,394	150	–	(184,661)
Hubbard Center	185,439	10,445	–	–	(174,994)
Bus operations and other	24,545	–	2,250	–	(22,295)
Interest on long-term debt	155,816	–	–	–	(155,816)
Total Governmental Activities	$ 5,867,888	$ 2,147,724	$ 45,493	$ –	$ (3,674,671)
General Revenues:					
Payments received from Derby USD No. 260 for:					
General operations					$ 2,744,789
Employee benefits					974,032
Investment earnings					7,746
Total General Revenues					3,726,567
Increase in Net Position					51,896
Net Position, Beginning of Year					6,466,845
Net Position, End of Year					$ 6,518,741

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

FUND FINANCIAL STATEMENTS

DERBY RECREATION COMMISSION

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2021

	General	Employee Benefit	Total Governmental Funds
ASSETS			
Cash and investments	$ 4,272,268	$ 58,934	$ 4,331,202
Accounts receivable	26,552	–	26,552
Accrued interest receivable	–	–	–
Total assets	$ 4,298,820	$ 58,934	$ 4,357,754
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 266,553	$ –	$ 266,553
Accrued salaries and benefits payable	90,912	31,867	122,779
Total liabilities	357,465	31,867	389,332
Fund balances:			
Restricted for Employee Benefits	–	27,067	27,067
Committed to:			
Capital Improvements	–	–	–
Assigned for subsequent year's budget deficit	3,908,476	–	3,908,476
Unassigned	32,879	–	32,879
Total fund balances	3,941,355	27,067	3,968,422
Total liabilities and fund balances	$ 4,298,820	$ 58,934	$ 4,357,754

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, 2021

Total Governmental Fund Balances		$ 3,968,422
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	$ 15,069,711	
Accumulated depreciation	(5,726,092)	
		9,343,619
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		585,023
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		(133,180)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Accrued interest payable	13,152	
Compensated absences payable	205,004	
Net pension liability	1,696,987	
Capital lease obligations payable	5,330,000	
		(7,245,143)
Net Position of Governmental Activities		$ 6,518,741

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, 2021

	General	Employee Benefit	Total Governmental Funds
Revenues:			
Appropriation from USD No. 260	$ 2,744,789	$ 974,032	$ 3,718,821
Recreation Center fees, gifts and grants	974,032	–	974,032
Adult programs	166,929	–	166,929
Youth programs	406,262	–	406,262
Oaklawn programs	19,720	–	19,720
Special programs	1,831	–	1,831
Oaklawn Activity Center	3,544	–	3,544
Rock River Rapids	567,256	–	567,256
Interest	7,746	–	7,746
Hubbard Center	10,445	–	10,445
Other	43,198	–	43,198
Total revenues	4,945,752	974,032	5,919,784
Expenditures:			
Current:			
Recreation Center	1,358,743	271,952	1,630,695
General operating	929,852	319,371	1,249,223
Maintenance	150,600	34,176	184,776
Adult programs	471,813	168,741	640,554
Youth programs	466,562	107,398	573,960
Oaklawn programs	47,576	20,253	67,829
Special programs	827	–	827
Oaklawn Activity Center	139,679	44,984	184,663
Hubbard Center	100,305	6,816	107,121
Rock River Rapids	567,256	–	567,256
Bus and other	24,545	–	24,545
Debt service	459,995	–	459,995
Total expenditures	4,717,753	973,691	5,691,444
Revenues over (under) expenditures	227,999	341	228,340
Fund balances, beginning of year	3,713,356	26,726	3,740,082
Fund balances, end of year	$ 3,941,355	$ 27,067	$ 3,968,422

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, 2021

Net Change in Fund Balances – Total Governmental Funds		228,340
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	126,910	
Depreciation	(536,687)	
Excess of depreciation over capital outlay		(409,777)
Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal		–
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due		(821)
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		(69,829)
Issuance of capital lease obligations is an other financing source in the governmental funds, but is reported as an increase in long-term liabilities in the statement of net net position		–
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets		305,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:		
Compensated absences payable		(1,017)
Change in Net Position of Governmental Activities		51,896

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, 2021

	Budgeted Amounts		Actual	Variance With Final Budget - Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Appropriation from USD No. 260	$ 2,891,920	$ 2,891,920	$ 2,744,789	$ (147,131)
Recreation Center fees	1,177,353	1,177,353	974,032	(203,321)
Adult programs	151,700	151,700	166,929	15,229
Youth programs	351,140	351,140	406,262	55,122
Oaklawn programs	200	200	19,720	19,520
Special programs	3,450	3,450	1,831	(1,619)
Oaklawn Activity Center	4,950	4,950	3,544	(1,406)
Rock River Rapids	631,200	631,200	567,256	(63,944)
Interest	25,000	25,000	7,746	(17,254)
Hubbard Art Center	5,000	5,000	10,445	5,445
Other	58,326	58,326	43,198	(15,128)
Total revenues	5,300,239	5,300,239	4,945,752	(354,487)
Expenditures and encumbrances:				
Recreation Center	1,218,870	1,218,870	1,051,289	167,581
General operating	1,058,033	1,058,033	929,852	128,181
Maintenance	169,700	169,700	148,092	21,608
Adult programs	470,457	470,457	471,813	(1,356)
Youth programs	503,840	503,840	466,562	37,278
Oaklawn programs	81,450	81,450	47,576	33,874
Special programs	4,600	4,600	827	3,773
Oaklawn Activity Center	304,000	304,000	139,679	164,321
Hubbard Center	374,165	374,165	100,305	273,860
Rock River Rapids	631,200	631,200	567,256	63,944
Bus and other	93,920	93,920	24,545	69,375
Capital outlay	4,187,972	4,187,972	309,962	3,878,010
Debt Service	–	–	459,995	(459,995)
Total expenditures and encumbrances	9,098,207	9,098,207	4,717,753	4,380,454
Revenues over (under) expenditures and encumbrances	(3,797,968)	(3,797,968)	227,999	4,025,967
Fund balance, beginning of year	3,797,968	3,797,968	3,713,347	(84,621)
Fund balance, end of year	$ –	$ –	$ 3,941,346	$ 3,941,346

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, 2021

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance With Final Budget - Positive (Negative)
Revenues:				
Appropriation from USD No. 260	$ 993,521	$ 993,521	$ 974,032	$ (19,489)
Expenditures:				
FICA and Medicare taxes	206,550	206,550	193,427	13,123
Workmen's compensation insurance	21,060	21,060	7,679	13,381
Unemployment insurance	13,500	13,500	3,509	9,991
Health insurance	462,879	462,879	452,960	9,919
Retirement benefits	272,000	272,000	287,388	(15,388)
Liability insurance	31,203	31,203	28,728	2,475
Total expenditures	1,007,192	1,007,192	973,691	33,501
Revenues over (under) expenditures	(13,671)	(13,671)	341	14,012
Fund balance, beginning of year	13,671	13,671	26,726	13,055
Fund balance, end of year	$ –	$ –	$ 27,067	$ 27,067

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

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

Basis of presentation

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

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

Government-wide financial statements

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

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 $500 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. All vacation leave that is not used by the end of the calendar year following the year in which it was accrued will be forfeited except that the Superintendent of Recreation shall have discretion in appropriate circumstances to grant a carry forward of 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 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 recreation commission provided all employees with emergency paid sick leave due to the Covid-19 pandemic. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 place 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".

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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.

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 July 1st.

2. Publication in the local newspaper of the proposed budget and notice of public hearing on the budget on or before July 10th.

3. Public hearing on or before July 20th, but at least ten days after publication of notice of hearing.

4. Adoption of the final budget on or before August 1st and certification of the adopted budget to USD No. 260.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2021.

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:

	Major Governmental Funds	
	General Fund	Employee Benefit Fund
GAAP Fund Balance at June 30, 2021	$ 3,941,346	$ 27,067
Adjustments:		
Reserved for encumbrances	–	–
Budgetary Basis Fund Balance at June 30, 2021	$ 3,941,346	$ 27,067

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.

2. DEPOSITS AND INVESTMENTS (continued)

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 $4,322,552 with the bank balances of such accounts being $4,324,975 Of the bank balances, $318,468 was covered by federal depository insurance and the remaining balance of $4,006,507 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 $4,663,342 at June 30, 2021.

The Commission had cash on hand at June 30, 2021 of $8,650.

3. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 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	11,358,567	555,565	–	11,914,132
Machinery and equipment	2,736,645	121,345	18,533	2,839,457
Vehicles	316,122	–	–	316,122
Total assets being depreciated	14,411,334	676,910	18,533	15,069,711
Less accumulated depreciation for:				
Buildings and improvements	3,234,564	266,970	–	3,501,534
Machinery and equipment	1,679,297	255,392	18,533	1,916,156
Vehicles	294,077	14,325	–	308,402

3. CHANGES IN CAPITAL ASSETS (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Total accumulated depreciation	$ 5,207,938	$ 536,687	$ 18,533	$ 5,726,092
Total capital assets being depreciated, net	9,203,396	140,223	–	9,343,619
Capital assets, net	$ 9,203,396	$ 140,223	$ –	$ 9,343,619

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
Recreation Center	$ 376,965
General Operations	43,683
Maintenance	17,903
Oaklawn Recreation Center	10,243
Hubbard Center	87,893
Total depreciation expense – Governmental Activities	$ 536,687

4. LONG-TERM DEBT

During the fiscal year ended June 30, 2021, the Commission's long-term debt changed as follows:

	Capitalized Lease Obligations Payable	Compensated Absences	Net Pension Liability	Total Long-Term Debt
Beginning of year	$ 5,085,000	$ 203,987	$ 1,432,153	$ 6,721,140
Additions	550,000	192,942	451,233	1,194,175
Deletions	(305,000)	(191,925)	(186,399)	(683,324)
End of year	$ 5,330,000	$ 205,004	$ 1,696,987	$ 7,231,991
Amount due within one year	$ 335,000	$ 58,631	$ –	$ 393,631

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 August 30, 2012. 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 August 30, 2012 requires the Commission to pay the City of Derby lease payments sufficient to service the debt issued by the City related to the costs

4. LONG-TERM DEBT (continued)

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.

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 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 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 capital leases 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, 2021, were as follows:

4. LONG-TERM DEBT (continued)

Year ending June 30,	Amount
2022	$ 499,720
2023	499,095
2024	498,120
2025	496,795
2026	500,020
2027	497,443
2028	495,373
2029	499,208
2030	497,607
2031	495,525
2032	497,880
2033	499,545
2034	210,500
2035	209,425
2036	45,675
Total minimum lease payments	6,441,931
Less amount representing interest	(1,111,930)
Present value of minimum lease payments	$ 5,330,000

The cost and accumulated depreciation of assets included under the capital lease are as follows:

Derby Recreation Center - Remodel	$ 4,331,596
Hubbard Arts Center	2,090,374
Decarsky Park – Ball Field	550,000
Less accumulated depreciation	(798,791)
Total	$ 6,173,179

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.*:

5. PENSION PLAN (continued)

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.

Benefits provided

KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. Members with ten or more years of credited service may retire as early as age 55, with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever a member's combined age and years of service equal 85 "points".

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.

5. PENSION PLAN (continued)

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.

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 8.61% for the period from July 1, 2020 to December 31, 2020 and 8.87% for the period from January 1, 2020 to June 30, 2020. Member contribution rates as a percentage of eligible compensation for the fiscal year ended June 30, 2020 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, 2020 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, 2020. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2020, the Commission's proportion was 0.097885%, which was a decrease of 0.004604% from its proportion measured at June 30, 2019.

5. PENSION PLAN (continued)

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, 2020, the outstanding balance was $3,845,439. These payments are due over various time periods up through December 31, 2032.

The 2016 Legislature passed Senate bill 161, authorizing the delay of up to $64.1 million in fiscal year 2017 contributions. Repayment is scheduled to be made in a series of twenty annual payments of $6.4 million which began in Fiscal Year 2019. Senate sub for HB 2002 authorized the delay of $194 million in fiscal year 2019 school contributions. Repayment is scheduled to be made in a series of twenty annual payments of $194.4 million beginning in fiscal year 2020. These amounts have been set up as receivables, the balance at June 30, 2020 was 249,338,993.The implicit interest rate for these receivables is the assumed rate of return, 7.75%

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

At June 30, 2021, the Commission reported a liability of $1,696,987 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, which was rolled forward to June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

For the year ended June 30, 2021, the Commission recognized pension expense of $237,507. At June 30, 2021 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	$ 186,399	$ –
Differences between expected and actual experience	28,335	21,817
Net difference between projected and actual earnings on pension plan investments	197,996	–
Changes in assumptions	102,215	–
Changes in proportion	70,078	111,363
Total	$ 585,023	$ 133,180

5. PENSION PLAN (continued)

The Commission reported $186,399 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, 2022. 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
2022	$ 74,825
2023	65,987
2024	61,293
2025	61,747
2026	1,592
Thereafter	–

Actuarial assumptions

The total pension liability at the June 30, 2020, measurement date was determined by an actuarial valuation as of December 31, 2019, which was rolled forward to June 30, 2020. 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	– 3.25 to 11.75 percent, including price inflation
Investment rate of return	– 7.50 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:

5. PENSION PLAN (continued)

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	.25
Total	100.00%	

Discount rate

The discount rate used to measure the total pension liability at the measurement date of June 30, 2020 was 7.50 percent. The discount rate used to measure total pension liability at the prior measurement date of June 30, 2019 was 7.75 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 ows 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 2020 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 caps established in 2012 for the State/School group. Under 2015 SB 4, the previously certified State/School statutory rate for Fiscal Year 2015 of 11.27 percent was reduced to 8.65 percent for the last half of the fiscal year as part of the Governor's allotment. That same session, SB 228 recertified statutory rates for the State/School group to 10.91 percent for Fiscal Year 2016 and 10.81 percent for Fiscal Year 2017 in anticipation of the issuance of $1 billion in pension obligation bonds. Legislation in the 2016 session (SB 161) provided for the delay of up to $100 million in State and School contributions to the Pension Plan. Legislation passed by the 2017 Legislature removed the repayment provisions included in SB 161.

5. PENSION PLAN (continued)

In addition, 2017 Senate Sub for Sub HB 2052 delayed $64.1 million in Fiscal Year 2017 State/School contributions, to be repaid over 20 years in level dollar installments. The first payment of $6.4 million was paid in full at the beginning of Fiscal Year 2019, and appropriations for Fiscal Year 2019 were made at the statutory contribution rate of 12.01 percent for the State/School group. Additional legislation in the 2017 Session (Senate Sub for HB 2002) provided for a reduction of $194 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 long-term receivables by the Pension Plan. The 2019 Legislature passed House Sub for Senate Bill 109, which directed on- behalf payments of $56 million and $82 million be made to the System. The $56 million payment was received by the System on June 30, 2018, and recorded as Fiscal Year 2018 contributions. The $82 million was received July 1, 2019, and was recorded as Fiscal Year 2019 contributions. The 2019 Legislative session passed Senate Bill 9 which authorized a transfer of $115 million to KPERS, received in March 2020. House Sub for Senate Bill 25 from the 2019 Legislative session authorized additional funding for the KPERS School group in Fiscal Year 2020 of $51 million.

Based on the employer contribution history as described above, it is a reasonable estimate that the State/School group's contribution rate may not be certified at the statutory rate. It has been assumed that contribution rates will be made within the same range as have been seen in the past few years, between 11 to 12 percent. 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, 2020, calculated using the discount rate of 7.50 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 (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate :

	June 30, 2020		
	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
Amount due within one year	$ 2,388,340	$ 1,696,987	$1,115,740

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 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.

6. OAKLAWN ACTIVITY CENTER PROJECT AND LEASE (continued)

During 2017, the Commission made advanced payments of the 2018 and 2019 lease payments for all outstanding Certificates of Participation to be called for early retirement on June 12, 2017. In July 2017, the Commission renewed the lease agreement with USD No. 260 to operate the Oaklawn Activity Center.

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 $43,059 for the year ended June 30, 2021.

9. COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 1, 2021, which is the date the financial statements were available to be issued.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Recreation's financial condition, liquidity and future results of operations. Management is actively monitoring the global and local situation on its financial condition, liquidity, operations, suppliers, industry and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Recreation is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition or liquidity for fiscal year 2021.

REQUIRED SUPPLEMENTARY INFORMATION

DERBY RECREATION COMMISSION

REQUIRED SUPPLEMENTARY INFORMATION

KPERS PENSION PLAN

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

	2021	2020	2019	2018	2017	2016
Commission's proportionate percentage of the net pension liability	0.102489%	0.102489%	0.104572%	0.112075%	0.093208%	0.092505%
Commission's proportionate share of the net pension liability	$ 1,696,987	$ 1,432,153	$ 1,457,514	$ 1,623,357	$ 1,441,955	$ 1,214,631
Commission's covered employee payroll	$ 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	88.61%	77.29%	76.81%	87.12%	85.20%	74.07%
Plan fiduciary net position as a percentage of the total pension liability	70.77%	75.02%	74.22%	72.16%	68.55%	71.98%

Schedule of Commission's Contributions
Last Six Years *

	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 167,283	$ 162,223	$ 163,715	$ 157,025	$ 157,965	$ 150,545
Contributions in relation to the contractually required contribution	(167,283)	(162,223)	(163,715)	(157,025)	(157,965)	(150,545)
Contribution deficiency (excess)	$ –	$ –	$ –	$ –	$ –	$ –
Commission's covered employee payroll	$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	8.74%	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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