DERBY RECREATION COMMISSION

COMPONENT UNIT

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2025

GBN, P.A.
Certified Public Accountants

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GBN, P.A.
Certified Public Accountants
Business Consultants
Tax Advisors

12001 E. 13th St. North • Wichita, Kansas 67206 • Telephone (316) 262-6277 • Fax (316) 265-6150

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, 2025 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, 2025 and the respective changes in financial position and the respective budgetary comparisons for the General Fund and the Employee Benefits Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and applicable provisions of the Kansas Municipal Audit and Accounting Guide. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and analysis on pages 3 through 10, the schedule of Commission's Proportionate Share of the Net Pension Liability and the Schedule of Commissions contributions on page 39, be presented to supplement the basic financial statements. Such information, is the responsibility of management and, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Wichita, Kansas
October 15, 2025

DERBY RECREATION COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2025

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, 2025. 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 $6,889,250 (net position). Of this amount, $2,524,752 (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 $61,231 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 $4,421,311 an increase of $109,810 or 2.5%. Of the ending combined fund balance amount, $126,399is restricted, $4,283,221 is assigned and $11,691is unassigned.

- At the end of the current fiscal year, $4,283,221, is assigned to assist in funding the subsequent year's budget. The total ending uncommitted fund balance for the General Fund was $4,294,912 or 65.59% 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 – 36 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 92.4% of its 2025 budgeted tax distributions prior to June 30, 2025 from Derby Unified School District No. 260.

Capital assets (e.g., buildings and improvements, machinery, equipment and vehicles) net of related debt, comprises 61.52% 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 2026. 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 2025.

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 $6,889,250 as of June 30, 2025. The Commission's net position reflects $4,238,099 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 $2,524,752 may be used to meet the Commission's ongoing obligations to citizens and creditors.

DERBY RECREATION COMMISSION
COMPARATIVE SUMMARY OF NET POSITION
June 30, 2025 and 2024

	Governmental Activities	
	2025	2024
Current and other assets	$ 4,741,540	$ 4,653,532
Capital assets	8,181,053	8,459,052
Total assets	$12,922,593	$13,112,584

	Governmental Activities	
	2025	2024
Deferred outflows of resources related to pensions	730,633	845,129
Long-term liabilities	6,284,245	6,600,192
Other liabilities	330,312	353,377
Total liabilities	6,614,557	6,953,569
Deferred inflows of resources:		
Related to refunded debt	147,954	161,599
Related to pensions	1,465	14,526
Total deferred inflows	149,419	176,125
Net position:		
Net investment in capital assets	4,238,099	4,152,453
Restricted for employee benefits	126,399	91,001
Unrestricted	2,524,752	2,584,565
Total net position	$ 6,889,250	$ 6,828,019

Analysis of the Commission's operations – The following table provides a summary of the Commission's operations for the years ended June 30, 2025 and 2024. The Commission's net position increased by $61,231, which represents a 0.90% increase in net position.

DERBY RECREATION COMMISSION
COMPARATIVE SCHEDULE OF CHANGES IN NET POSITION
Fiscal Year Ended June 30, 2025 and 2024

	Governmental Activities	
	2025	2024
Revenues:		
Program revenues:		
Charges for services	$ 3,212,376	$ 2,803,450
Operating grants and contributions	53,326	134,108
Capital grants and contributions	–	–
General revenues:		
Payments from Unified School District No. 260 for property taxes	4,383,159	4,297,641
Investment earnings	138,310	167,580
Total revenues	7,787,171	7,402,779

	Governmental Activities	
	2025	2024
Expenses:		
Recreation Center	$ 2,175,170	$ 2,186,568
General operating	1,796,982	1,747,705
Maintenance	242,902	229,948
Adult programs	685,058	671,660
Youth programs	778,363	775,310
Oaklawn programs	193,955	214,134
Special programs	2,144	2,124
Rock River Rapids	1,137,449	773,860
Oaklawn Recreation Center	252,648	208,076
Hubbard Center	283,221	312,481
Bus operations and other	56,281	119,721
Interest on long-term debt	121,767	129,059
Total expenses	7,725,940	7,370,646
Increase in net position	61,231	32,133
Net position – July 1	6,828,019	6,795,886
Net position – June 30	$ 6,889,250	$ 6,828,019

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

- Total revenues increased by $384,392, or approximately 5.19%, and total expenses increased by $355,294 or approximately 4.82 %, for 2025.

- Payments received from Derby Unified School District No. 260 increased by $85,518 (1.99%) during the fiscal year. The General Fund tax receipts increased by $51,853 and the Employee Benefits Fund increased $33,665. These changes were anticipated in the preparation of the Commission's 2025 budget.

- Charges for services increased $408,926, or 14.59% from 2024. The 2025 increase in charges for service was directly related to the increase in visitors at Rock River Rapids.

- Operating grants and contributions decreased by $80,782 from 2024 to 2025 primarily due to the ending of the KPCCI grant.

- Total governmental activities expenses increased by $355,294, or about 4.82% for 2025. Rock River Rapids expenses increased by $363,589. Oaklawn recreation center expenses increased by $44,572 and General Operating increased by $49,227. The combined decrease of $112,879 were in Business operations and other, Oaklawn program and Hubbard Center.

- Approximately 48.39% of total functional expenses are payroll and related benefit costs. Salary costs increased approximately $34,109 for 2025.

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 $4,421,311 with approximately 96% 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 $6,622,577 for 2025 compared to $6,271,850 for 2024, or an increase of $350,727. The tax appropriations from Derby Unified School District No. 260 increased by $51,853 and Rock River Rapids increased by $363,589. Youth Program charges decreased by $66,565 for 2025 and Oaklawn programs decreasing by $30,997. General fund total expenditures increased by $200,615 with Rock River Rapids expenditures increasing by $363,589. Recreation Center expenditures decreasing by $171,675. All other functional expenditure areas increasing a combined $8,701.

The Employee Benefit Fund total revenues increased by $33,665, which was related to tax appropriations from Derby Unified School District No. 260. Expenditures increased by $23,414.

General Fund Budgetary Highlights – The General Fund total actual revenues ($6,622,577) were 107.1% of the total amount anticipated in the 2025 budget. Expenditures on a budgetary basis totaled $6,586,332, which represented only 63.19% of the budgeted expenditures for 2025. The result was an increase in budgetary basis fund balance for the General Fund in the amount of $36,243, or about a 0.86% increase from the beginning of the year fund balance. The actual carry over balance to the 2026 budget was $4,256,743 and the anticipated carry over balance in funding the 2026 budget was $4,283,221, a difference of $23,478.

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 2026 budget year is January 20, 2026. 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, 2025 amounts to $8,181,053 (net of accumulated depreciation). The investment in capital assets includes buildings and improvements, machinery and equipment and vehicles. Capital asset acquisitions totaled $181,067 during 2025. Major capital asset events during the current fiscal year included the following:

- The recreation center made partial payment for new LED sign included in Construction in Progress at year end at a cost of $33,965.
- Purchase of new fitness equipment at a total cost of $55,520.
- Purchase of 2025 Ford F-150 at a total cost of $43,337.

Capital Assets at Year-End
Net of Accumulated Depreciation
June 30, 2025 and 2024

	Governmental Activities	
	2025	2024
Buildings and improvements	$ 33,965	$ –
Buildings and improvements	2,015,915	2,122,938
Machinery and equipment	542,630	597,234
Vehicles	82,992	66,695
Right-of-use leased buildings and improvements	5,505,551	5,672,185
Total	$8,181,053	$8,459,052

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

DEBT ADMINISTRATION

At the end of the current fiscal year, the Commission had total long-term debt obligations under a capital lease arrangement of $3,795,000 related to the Derby Recreation Center remodel, Decarsky ball field and Hubbard Arts Center projects. During the current fiscal year, $350,000 on the capital lease obligation with the City of Derby was retired. The Commission's total commitments for compensated absences totaled $221,439 at the end of the current fiscal year, a net decrease of $17,273. The Commission's unfunded net pension liability related to the Kansas Public Employees Retirement System (KPERS) was $2,267,806 at June 30, 2025, a net increase of $51,327.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In the 2025-2026 budget, General Fund revenues are budgeted to increase $364,349 or about 5.89% from the 2024-2025 budget year with appropriations from Derby Unified School District No. 260 representing about 54.60% of the total General Fund budgeted revenues. Total General Fund budgeted expenditures for the 2025-2026 budget year are $10,829,429, an increase of $405,661 from the 2024-2025 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.

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BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

DERBY RECREATION COMMISSION

STATEMENT OF NET POSITION

June 30, 2025

	Governmental Activities
ASSETS	
Cash and investments	$ 4,718,531
Accounts receivable	6,745
Accrued interest receivable	16,264
Capital assets:	
Buildings and improvements	5,134,892
Machinery and equipment	2,877,488
Vehicles	418,476
Construction in progress	33,965
Right-of-use leased buildings and improvements	6,971,970
Accumulated depreciation and amortization	(7,255,738)
Total Assets	12,922,593
DEFERRED OUTLFOWS OF RESOURCES	
Deferred outflows of resources related to pensions	730,633
LIABILITIES	
Accounts payable	140,824
Accrued salaries and benefits payable	179,405
Accrued interest payable	10,083
Noncurrent liabilities:	
Due within one year	454,368
Due in more than one year	5,829,877
Total Liabilities	6,614,557
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to refunded debt	147,954
Deferred inflows of resources related to pensions	1,465
Total Deferred Inflows	149,419
NET POSITION	
Investment in capital assets, net	4,238,099
Restricted for employee benefits	126,399
Unrestricted	2,524,752
Total Net Position	$ 6,889,250

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

DERBY RECREATION COMMISSION

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2025

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	$ 2,175,170	$ 1,272,756	$ –	$ –	$ (902,414)
General Operating	1,796,982	26,752	–	–	(1,770,230)
Maintenance	242,902	37,827	–	–	(205,075)
Adult Programs	685,058	221,804	913	–	(462,341)
Youth Programs	778,363	492,927	31,300	–	(254,136)
Oaklawn Programs	193,955	138	20,063	–	(173,754)
Special Programs	2,144	996	–	–	(1,148)
Rock River Rapids	1,137,449	1,137,449	–	–	–
Oaklawn Recreation Center	252,648	11,865	500	–	(240,283)
Hubbard Center	283,221	9,862	–	–	(273,359)
Bus operations and other	56,281	–	550	–	(55,731)
Interest on long-term debt	121,767	–	–	–	(121,767)
Total Governmental Activities	$ 7,725,940	$ 3,212,376	$ 53,326	$ –	(4,460,238)
General Revenues:					
Payments received from Derby USD No. 260 for:					
General operations					$ 3,218,565
Employee benefits					1,164,594
Investment earnings					138,310
Total General Revenues					4,521,469
Increase in Net Position					61,231
Net Position, Beginning of Year					6,828,019
Net Position, End of Year					$ 6,889,250

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

FUND FINANCIAL STATEMENTS

DERBY RECREATION COMMISSION

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2025

	General	Employee Benefit	Total Governmental Funds
ASSETS			
Cash and investments	$ 4,535,497	$ 183,034	$ 4,718,531
Accounts receivable	6,745	–	6,745
Accrued interest receivable	16,264	–	16,264
Total assets	$ 4,558,506	$ 183,034	$ 4,741,540
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 140,824	$ –	$ 140,824
Accrued salaries and benefits payable	122,770	56,635	179,405
Total liabilities	263,594	56,635	320,229
Fund balances:			
Restricted for Employee Benefits	–	126,399	126,399
Committed to:			
Capital Improvements	–	–	–
Assigned for subsequent year's budget deficit	4,283,221	–	4,283,221
Unassigned	11,691	–	11,691
Total fund balances	4,294,912	126,399	4,421,311
Total liabilities and fund balances	$ 4,558,506	$ 183,034	$ 4,741,540

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, 2025

Total Governmental Fund Balances		$ 4,421,311
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	$ 15,436,791	
Accumulated depreciation	(7,255,738)	
		8,181,053
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		730,633
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		(1,465)
Deferred refunding bond costs resulting from issuance of refunding bonds are recognized as deferred outlfows of resources in the government-wide financial statements		(147,954)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Accrued interest payable	10,083	
Compensated absences payable	221,439	
Net pension liability	2,267,806	
Capital lease obligations payable	3,795,000	
		(6,294,328)
Net Position of Governmental Activities		$ 6,889,250

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, 2025

	General	Employee Benefit	Total Governmental Funds
Revenues:			
Appropriation from USD No. 260	$ 3,218,565	$ 1,164,594	$ 4,383,159
Recreation Center fees, gifts and grants	1,272,756	–	1,272,756
Adult programs	222,717	–	222,717
Youth programs	524,227	–	524,227
Oaklawn programs	20,201	–	20,201
Special programs	996	–	996
Oaklawn Activity Center	12,365	–	12,365
Rock River Rapids	1,137,449	–	1,137,449
Interest	138,310	–	138,310
Hubbard Center	9,862	–	9,862
Other	65,129	–	65,129
Total revenues	6,622,577	1,164,594	7,787,171
Expenditures:			
Current:			
Recreation Center	1,671,945	296,301	1,968,246
General operating	1,394,206	369,699	1,763,905
Maintenance	173,590	44,716	218,306
Adult programs	487,918	175,138	663,056
Youth programs	625,892	135,278	761,170
Oaklawn programs	133,973	46,636	180,609
Special programs	2,144	–	2,144
Oaklawn Activity Center	204,675	43,361	248,036
Hubbard Center	173,417	18,067	191,484
Rock River Rapids	1,137,449	–	1,137,449
Bus and other	56,281	–	56,281
Debt service	486,675	–	486,675
Total expenditures	6,548,165	1,129,196	7,677,361
Revenues over expenditures	74,412	35,398	109,810
Fund balances, beginning of year	4,220,500	91,001	4,311,501
Fund balances, end of year	$ 4,294,912	$ 126,399	$ 4,421,311

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, 2025

Net Change in Fund Balances – Total Governmental Funds		$ 109,810
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	$ 181,067	
Depreciation	(459,066)	
Excess of depreciation over capital outlay		(277,999)
Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal		–
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due		1,263
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		(152,762)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets		350,000
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	17,274	
Amortization of gain on refunded debt	13,645	
Total		30,919
Change in Net Position of Governmental Activities		$ 61,231

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, 2025

	Budgeted Amounts		Actual	Variance With Final Budget - Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Appropriation from USD No. 260	$ 3,217,714	$ 3,217,714	$ 3,218,565	$ 851
Recreation Center fees	1,184,644	1,184,644	1,272,756	88,112
Adult programs	214,477	214,477	222,716	8,239
Youth programs	522,258	522,258	524,227	1,969
Oaklawn programs	66,600	66,600	20,201	(46,399)
Special programs	–	–	996	996
Oaklawn Activity Center	8,350	8,350	12,365	4,015
Rock River Rapids	743,700	743,700	1,137,449	393,749
Interest	150,000	150,000	138,310	(11,690)
Hubbard Art Center	20,000	20,000	9,861	(10,139)
Other	54,116	54,116	65,129	11,013
Total revenues	6,181,859	6,181,859	6,622,575	440,716
Expenditures and encumbrances:				
Recreation Center	1,845,080	1,845,080	1,594,888	250,192
General operating	1,495,035	1,495,035	1,394,206	100,829
Maintenance	195,082	195,082	164,501	30,581
Adult programs	602,828	602,828	487,918	114,910
Youth programs	676,663	676,663	625,892	50,771
Oaklawn programs	203,760	203,760	133,973	69,787
Special programs	2,550	2,550	2,144	406
Oaklawn Activity Center	329,054	329,054	204,675	124,379
Hubbard Center	462,802	462,802	173,418	289,384
Rock River Rapids	743,700	743,700	1,137,449	(393,749)
Bus and other	62,200	62,200	56,281	5,919
Capital outlay	3,805,014	3,805,014	124,312	3,680,702
Debt Service	–	–	486,675	(486,675)
Total expenditures and encumbrances	10,423,768	10,423,768	6,586,332	3,837,436
Revenues over (under) expenditures and encumbrances	(4,241,909)	(4,241,909)	36,243	4,278,152
Fund balance, beginning of year	4,241,909	4,241,909	4,220,500	(21,409)
Fund balance, end of year	$ –	$ –	$ 4,256,743	$ 4,256,743

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, 2025

	Budgeted Amounts		Actual	Variance With Final Budget - Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Appropriation from USD No. 260	$ 1,170,111	$ 1,170,111	$ 1,164,594	$ (5,517)
Expenditures:				
FICA and Medicare taxes	268,315	268,315	260,288	8,027
Workmen's compensation insurance	26,800	26,800	17,581	9,219
Unemployment insurance	3,800	3,800	4,652	(852)
Health insurance	530,000	530,000	452,901	77,099
Retirement benefits	383,740	383,740	393,774	(10,034)
Other	48,456	48,456	–	48,456
Total expenditures	1,261,111	1,261,111	1,129,196	131,915
Revenues over (under) expenditures	(91,000)	(91,000)	35,398	126,398
Fund balance, beginning of year	91,000	91,000	91,001	1
Fund balance, end of year	$ –	$ –	$ 126,399	$ 126,399

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

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

Basis of presentation

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

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

Government-wide financial statements

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund financial statements

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

Measurement focus and basis of accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

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

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

The Commission reports the following major governmental funds:

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and investments

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

Prepaid Items

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

Inventories

Inventories are considered to be immaterial and are not recorded.

Capital assets

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

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

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

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

Compensated absences

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Accrued liabilities and long-term obligations

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

Risk management

The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission carries commercial insurance for all risks of loss. There were no significant reductions in coverage from prior years and claims resulting from these risks have not exceeded commercial coverage in any of the past three years.

Estimates

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred outflows/deferred inflows of resources

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

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

Net position flow assumption

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund balance policies

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

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

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

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

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary principles

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

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

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

2. Publication in the local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.

3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.

4. Adoption of the final budget on or before August 25th and certification of the adopted budget to USD No. 260.

If the municipality is holding a revenue neutral rate hearing, the budget timeline for adoption of the final budget has been extended to on or before September 20th. The commission did hold a revenue neutral rate hearing for this year.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. This process requires a notice of public hearing to amend the budget to be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no budget amendments for the year ended June 30, 2025.

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, 2025	$ 4,294,912	$ 126,399
Adjustments:		
Reserved for encumbrances	(38,169)	–
Budgetary Basis Fund Balance at June 30, 2025	$ 4,256,743	$ 126,399

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 $4,710,285 with the bank balances of such accounts being $4,775,043. Of the bank balances, $938,171 was covered by federal depository insurance and the remaining balance of $3,836,871 was covered by pledged collateral and letters of credit held at its custodial banks in joint custody in the name of the Commission and its banks with a fair value of $3,507,165 at June 30, 2025.

The Commission had cash on hand at June 30, 2025 of $8,246.

3. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Construction work in progress	$ –	$ 33,965	$ –	$ 33,965
Capital assets being depreciated:				
Buildings and improvements	5,134,892	–	–	5,134,892
Machinery and equipment	3,067,621	103,765	293,898	2,877,488
Vehicles	375,139	43,337	–	418,476
Total assets being depreciated	8,577,652	147,102	293,898	8,430,856
Less accumulated depreciation for:				
Buildings and improvements	3,011,956	107,021	–	3,118,977
Machinery and equipment	2,470,385	158,371	293,898	2,334,858
Vehicles	308,444	27,040	–	335,484
Total accumulated depreciation	5,790,785	292,432	293,898	5,789,319
Total capital assets being depreciated, net	2,786,867	(145,330)	–	2,641,537
Right-of-use assets being amoritzed:				
Buildings and improvements	6,971,970	–	–	6,971,970
Less accumulated amortization	1,299,785	166,634	–	1,466,419
Right-of-use assets being amortized, net	5,672,185	(166,634)	–	5,505,551
Capital assets, net	$ 8,459,052	$ (277,999)	$ –	$ 8,181,053

3. CHANGES IN CAPITAL ASSETS (continued)

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

Governmental Activities:	
Recreation Center	$ 313,002
General Operations	29,914
Maintenance	18,287
Oaklawn Recreation Center	8,212
Hubbard Center	89,651
Total depreciation expense – Governmental Activities	$ 459,066

4. LONG-TERM DEBT

During the fiscal year ended June 30, 2025, the Commission's long-term debt changed as follows:

	Right-of-use Lease Obligations Payable	Compensated Absences	Net Pension Liability	Total Long-Term Debt
Beginning of year	$ 4,145,000	$ 238,713	$ 2,216,479	$ 6,600,192
Additions	–	227,547	51,327	278,874
Deletions	(350,000)	(244,821)	–	(594,821)
End of year	$ 3,795,000	$ 221,439	$ 2,267,806	$ 6,284,245
Amount due within one year	$ 370,000	$ 84,368	$ –	$ 454,368

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

4. LONG-TERM DEBT (continued)

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

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

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

The current lease agreements qualify as right-of-use lease for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2025, were as follows:

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

4. LONG-TERM DEBT (continued)

Year ending June 30,	Amount
2030	$486,350
2031	483,525
2032	482,800
2033	486,825
2034	210,500
2035	209,425
2036	45,675
Total minimum lease payments	4,340,700
Less amount representing interest	(545,700)
Present value of minimum lease payments	$ 3,795,000

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 9.26% for the period from July 1, 2024 to December 31, 2024 and 9.71% for the period from January 1, 2025 to June 30, 2025. Member contribution rates as a percentage of eligible compensation for the fiscal year ended June 30, 2025 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, 2024 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, 2024. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2024, the Commission's proportion was 0.106759%, which was an increase of 0.001107% from its proportion measured at June 30, 2023.

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

At June 30, 2025, the Commission reported a liability of $2,267,806 for its proportionate share of the net pension liability. The collective net pension liability was measured by KPERS as of June 30, 2024, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2023, which was rolled forward to June 30, 2024.

5. PENSION PLAN (continued)

For the year ended June 30, 2025, the Commission recognized pension expense of $386,698. At June 30, 2024 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	$ 233,476	$ –
Differences between expected and actual experience	275,864	–
Net difference between projected and actual earnings on pension plan investments	13,893	–
Changes in assumptions	137,077	–
Changes in proportion	70,323	1,465
Total	$ 730,633	$ 1,465

The Commission reported $730,633 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, 2026. 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
2025	$ 379,861
2026	260,064
2027	72,309
2028	16,934
Thereafter	–

Actuarial assumptions

The total pension liability at the June 30, 2025 measurement date, was determined by an actuarial valuation as of December 31, 2023, which was rolled forward to June 30, 2024. 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 15.50 percent, including price inflation
Investment rate of return	– 7.00 percent compounded annually, net of investment expense, including price inflation

5. PENSION PLAN (continued)

Mortality rates were based on the PUB 2010 Moratilty 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-2021.

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 29, 2024, 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
Non – U.S Equities	43.00%	8.20%
Core Fixed Income	13.00	2.20
Yield Driven	12.00	5.30
Infrastructure	3.00	6.80
Real Estate	15.00	5.70
Alternatives	11.00	12.00
Short-Term Investments	3.00	0.30
Total	100.00%	

Discount rate

The discount rate used to measure the total pension liability was 7.00% for both of the years ended June 30, 2024 and 2023. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate. Participating employer contributions do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the KPERS' Board of Trustees for these groups may not increase by more than the statutory cap (1.2% for 2024). The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

5. PENSION PLAN (continued)

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, 2024, 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, 2024		
	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Amount due within one year	$ 3,283,163	$ 2,267,806	$1,419,245

Pension plan fiduciary net position

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

6. OAKLAWN ACTIVITY CENTER PROJECT AND LEASE

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

The lease agreement requires the Commission to pay Derby USD No. 260 lease payments sufficient to service the Certificates of Participation issued by Derby USD No. 260 related to the costs of expansion, repairs, remodeling and other related costs of the facility. USD No. 260 shall provide ground crew maintenance of the facility and the Commission is required to perform all maintenance and make all repairs and replacements necessary to keep the facility in good condition and shall provide for the cost of utilities for the gymnasium and the new improvements to the facility. USD No. 260 is responsible for property and casualty insurance however, the additional premiums to cover the newly constructed improvements shall be reimbursed to the USD by the Commission. The Commission has the option to renew the 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 $48,934 for the year ended June 30, 2025.

9. COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 15, 2025, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

DERBY RECREATION COMMISSION

REQUIRED SUPPLEMENTARY INFORMATION

KPERS PENSION PLAN

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Commission's proportionate percentage of the net pension liability	0.106759%	0.105652%	0.100293%	0.099285%	0.097885%	0.102489%	0.104572%	0.112075%	0.093208%	0.092505%
Commission's proportionate share of the net pension liability	$ 2,267,806	$ 2,216,479	$ 1,993,869	$ 1,191,377	$ 1,696,987	$ 1,432,153	$ 1,457,514	$ 1,623,357	$ 1,441,955	$ 1,214,631
Commission's covered employee payroll	$ 2,463,803	$ 2,467,263	$ 2,302,896	$ 2,016,031	$ 1,915,026	$ 1,852,924	$ 1,897,571	$ 1,863,404	$ 1,692,338	$ 1,639,924
Commission's proportionate share of the net pension liability as a percentage of its covered employee payroll	92.04%	89.84%	86.58%	59.09%	88.61%	77.29%	76.81%	87.12%	85.20%	74.07%
Plan fiduciary net position as a percentage of the total pension liability	71.71%	70.55%	70.66%	81.14%	70.77%	75.02%	74.22%	72.16%	68.55%	71.98%

Schedule of Commission's Contributions
Last Ten Years *

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 218,210	$ 218,381	$ 199,759	$ 179,099	$ 167,283	$ 162,223	$ 163,715	$ 157,025	$ 157,965	$ 150,545
Contributions in relation to the contractually required contribution	(218,210)	(218,381)	(199,759)	(179,099)	(167,283)	(162,223)	(163,715)	(157,025)	(157,965)	(150,545)
Contribution deficiency (excess)	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Commission's covered employee payroll	$2,463,803	$2,467,263	$2,302,896	$2,016,031	$1,915,026	$1,852,924	$1,897,571	$1,863,404	$1,793,088	$1,639,924
Contributions as a percentage of covered employee payroll	8.86%	8.85%	8.67%	8.88%	8.74%	8.75%	8.63%	8.43%	8.81%	9.18%