ARKANSAS CITY PUBLIC LIBRARY

ARKANSAS CITY, KANSAS

Financial Statements

For the Year Ended December 31, 2023

ARKANSAS CITY PUBLIC LIBRARY
ARKANSAS CITY, KANSAS

Financial Statements
For the Year Ended December 31, 2023

Table of Contents

	Page Number
INTRODUCTORY SECTION	
Table of Contents	i
FINANCIAL SECTION	
Independent Auditor's Report	1 - 3
Summary Statement of Receipts, Expenditures and Unencumbered Cash	4
Notes to the Financial Statements	4 - 8
SCHEDULE 1 Summary of Expenditures – Actual and Budget	9
SCHEDULE 2 Schedule of Receipts and Expenditures – Actual and Budget or Actual Only	
General Fund	10
Capital Improvement Fund	11
Grants Fund	12

GORDONCPA
AUDITING
ACCOUNTING
CONSULTING

4205 W 6th St Ste C
Lawrence, KS 66049

(785) 371-4847
cpagordon.com

INDEPENDENT AUDITOR'S REPORT

Arkansas City Public Library Board of Trustees
Arkansas City, Kansas

Adverse and Unmodified Opinions

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Arkansas City Public Library, Arkansas City, Kansas, a related municipal entity of the City of Arkansas City, Kansas, as of and for the year ended December 31, 2023, and the related notes to the financial statement.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis of Adverse and Unmodified Opinions" section of our report, the accompanying financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2023, or the changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Library as of December 31, 2023, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), and the *Kansas Municipal Audit and Accounting Guide*. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statement" section of our report. We are required to be independent of the Library, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified opinions.

Matter Giving Rise to Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Responsibilities of Management for the Financial Statement

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

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

Auditor's Responsibilities for the Audit of the Financial Statement

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

In performing an audit in accordance with GAAS, we:

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

- identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Library's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

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

Other Matter

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the Arkansas City Public Library, Arkansas City, Kansas, a related municipal entity of the City of Arkansas City, Kansas, as of and for the year ended December 31, 2022 (not presented herein), and have issued our report thereon dated April 18, 2023, which contained an unmodified opinion on the basic financial statement. The 2022 basic financial statement and our accompanying report are not presented herein but are available in electronic form from the web site of the Kansas Department of Administration at the following link https://admin.ks.gov/offices/oar/municipalservices. The 2022 actual column (2022 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures—actual and budget for the year ended December 31, 2023 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2022 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2022 basic financial statement. The 2022 comparative information was subjected to the auditing procedures applied in the audit of the 2022 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2022 basic financial statement or to the 2022 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2022 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended December 31, 2022, on the basis of accounting described in Note 1.

Gordon CPA LLC

Certified Public Accountant
Lawrence, Kansas

April 11, 2024

ARKANSAS CITY PUBLIC LIBRARY
ARKANSAS CITY, KANSAS
Summary Statement of Receipts, Expenditures and Unencumbered Cash
For the Year Ended December 31, 2023

Fund	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add: Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General Fund	$ -	$ -	$ 538,712	$ 523,712	$ 15,000	$ 2,445	$ 17,445
Capital Improvement Fund	386,124	-	7,615	-	393,739	-	393,739
Grants Fund	-	-	2,599	2,599	-	-	-
Total	$ 386,124	$ -	$ 548,926	$ 526,311	$ 408,739	$ 2,445	$ 411,184

Composition of Cash:

RCB Bank	
Checking	$ 252,997
Stock Exchange Bank	
Certificate of Deposit	114,738
Union State Bank	
Checking	580
Savings	32,419
Community National Bank & Trust	
Certificate of Deposit	10,420
Petty cash	30
Total Cash	$ 411,184

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

ARKANSAS CITY PUBLIC LIBRARY
ARKANSAS CITY, KANSAS

Notes to the Financial Statements
For the Year Ended December 31, 2023

NOTE 1 - Summary of Significant Accounting Policies

Reporting Entity

The Arkansas City Public Library (the Library) is a municipality of the State of Kansas organized under K.S.A. 12-1219, with a seven-member Board of Trustees appointed by the City of Arkansas City, Kansas (the City). The Library is a related municipal entity of the City of Arkansas City, Kansas.

A related municipal entity is determined by the following criteria: Whether the City exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of the public service, and significant operations or financial relationships with the Library.

The Library has determined that no outside agency meets the above criteria, and therefore, no outside agency has been included as a related municipal entity in this financial statement.

Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The *Kansas Municipal Audit and Accounting* Guide (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The Library has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Library to use the regulatory basis of accounting.

Regulatory Basis Fund Types

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts, recording cash balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Governmental Fund Types

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts, recording cash balances and other financial resources, together with all related liabilities and residual equities of balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

General Fund - the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose Fund - used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Budgetary Information

The governing body of the City of Arkansas City, Kansas, maintains the tax levy for the maintenance of the Arkansas City Public Library and is responsible for publishing a budget for the Library Fund showing the tax funds to be paid to the Arkansas City Public Library. It should be noted the budget figures in this report are internally prepared for management purposes only and are not required to be published.

NOTE 2 - Deposits and Investments

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

Investments. K.S.A. 12-1675 limits the Library'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 Library has no investment policy that would further limit its investment choices. As of December 31, 2023, the Library held no such investments.

Concentration of credit risk. State statutes place no limit on the amount the Library may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. State statutes require the Library's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Library has no designated "peak periods." All deposits were not legally secured as of December 31, 2023.

At December 31, 2023, the Library's carrying amount of deposits was $411,184 and the bank balance was $460,960. The bank balance was held by four banks. The entire bank balance was covered by federal depository insurance.

NOTE 3 - Defined Benefit Pension Plan

Plan Description. The Library participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing, multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

NOTE 3 - Defined Benefit Pension Plan (Continued)

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate for Death and Disability Program) and the statutory contribution rate was 8.43% for the fiscal year ended December 31, 2023. Contributions to the pension plan from the Library were $19,303 for the year ended December 31, 2023.

Net Pension Liability. As of December 31, 2023, the proportionate share of the collective net pension liability reported by KPERS was $194,853. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022, which was rolled forward to June 30, 2023. The Library's proportion of the net pension liability was based on the ratio of the Library's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup of KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

The complete actuarial valuation report, including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publically available on the KPERS website at www.kpers.org or can be obtained as described above.

NOTE 4 - Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omission; and natural disasters for which the Library carries commercial insurance. Insurance claims for the preceding three years have not exceeded insurance coverage.

NOTE 5 - Other Long-Term Obligations from Operations

Other Post-Employment Benefits. As provided by K.S.A. 12-5040, the Library allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the Library is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Library 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.

Death and Disability Other Post-Employment Benefits. As provided by K.S.A. 74-4927, disabled members in the Kansas Public Employees Retirement System (KPERS) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. The employer contribution rate is set at 1% for the year ended December 31, 2023.

NOTE 5 - Other Long-Term Obligations from Operations (Continued)

Compensated Absences. Regular employees earn and accumulate paid time off (PTO) leave per pay period as follows:

Years of Employment	PTO accrual Per year (hours)	Maximum Accrual (hours)	PTO accrual Rate (hours)
0 - 12 months	3 weeks, prorated	120	4.62
1 - 7 years	200	240	7.69
8 - 15 years	240	280	9.23
16 - 20 years	280	320	10.77
20+ years	320	360	12.30

All employees separating from Library employment in good standing and that have satisfactorily completed an appropriate 14-day notice period will received payment for all accrued PTO leave.

The Library has estimated a liability for PTO leave which has been earned, but not taken of $22,711.

PTO Buyback. The Library will buy back a current employee's PTO at a reduced rate of 75% of the value of the forfeited leave, based on the employee's current rate of pay. Buyback requests must be submitted in writing to the Library Director by December 1st, with payout occurring during the first pay period of the next calendar year. There was no cost to the Library for this buyback program during the year ended December 31, 2023 and no liability for this buyback program existed as of December 31, 2023.

NOTE 6 - Investments in Legacy Regional Community Foundation

Legacy Regional Community Foundation, a non-profit foundation, holds additional funds which have been donated in the Library's name but are not recognized in the regulatory basis financial statement. The Library has no control over the current investment decisions. The earnings can be requested to be distributed upon approval of the Foundation; the funds will be disbursed and can be used for the current needs of the Library. There are four separate funds with different restrictions totaling $132,705.

NOTE 7 - Interfund Transfers

Operating transfers for the year ended December 31, 2023, were as follows:

From	To	Amount	Regulatory Authority
General	Capital Improvement	$ 7,615	K.S.A. 12-1258

ARKANSAS CITY PUBLIC LIBRARY
ARKANSAS CITY, KANSAS
Summary of Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2023

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over [Under]
General Fund	$ 506,200	$ -	$ 506,200	$ 523,712	$ [17,512]

ARKANSAS CITY PUBLIC LIBRARY
ARKANSAS CITY, KANSAS
General Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2023
(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	Prior Year Actual	Current Year Actual	Current Year Budget	Current Year Variance-Over [Under]
Receipts:				
City of Arkansas City Appropriation	$ 399,946	$ 456,205	$ 457,400	$ [1,195]
South Central Kansas Library System	28,609	36,976	28,000	8,976
State Aid	3,324	3,363	3,400	[37]
Interest Income	873	4,596	400	4,196
Fines and Fees	11,254	10,753	7,500	3,253
Donations	5,375	12,906	2,000	10,906
Miscellaneous	17,569	13,913	7,500	6,413
Total Receipts	466,950	538,712	$ 506,200	$ 32,512
Expenditures:				
Personal Services	248,966	299,255	$ 306,500	$ [7,245]
Contractual Services	94,845	88,632	120,000	[31,368]
Commodities	37,721	39,261	53,500	[14,239]
Capital Outlay	20,362	68,560	19,000	49,560
Miscellaneous	30,724	20,389	7,200	13,189
Transfers Out to Capital Improvement Fund	49,332	7,615	-	7,615
Total Expenditures	481,950	523,712	$ 506,200	$ 17,512
Receipts Over [Under] Expenditures	[15,000]	15,000		
Unencumbered Cash, Beginning	15,000	-		
Unencumbered Cash, Ending	$ -	$ 15,000		

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

ARKANSAS CITY PUBLIC LIBRARY
ARKANSAS CITY, KANSAS
Capital Improvement Fund*
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2023 and 2022

	Prior Year Actual	Current Year Actual
Receipts:		
Transfer in from General Fund	$ 49,332	$ 7,615
Total Receipts	49,332	7,615
Expenditures:		
Capital Outlay	-	-
Total Expenditures	-	-
Receipts Over [Under] Expenditures	49,332	7,615
Unencumbered Cash, Beginning	336,792	386,124
Unencumbered Cash, Ending	$ 386,124	$ 393,739

* - This fund is not required to be budgeted.

ARKANSAS CITY PUBLIC LIBRARY
ARKANSAS CITY, KANSAS
Grants Fund*
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2023 and 2022

	Prior Year Actual	Current Year Actual
Receipts:		
State Aid	$ 100	$ 2,308
Grants	9,289	291
Total Receipts	9,389	2,599
Expenditures:		
Personal Services	3,200	-
Contractual Services	58,045	2,599
Total Expenditures	61,245	2,599
Receipts Over [Under] Expenditures	[51,856]	-
Unencumbered Cash, Beginning	51,856	-
Unencumbered Cash, Ending	$ -	$ -

* - This fund is not required to be budgeted.