

CANEY CITY LIBRARY

Caney, Kansas

Independent Auditors' Report with
Financial Statement and
Supplementary Information

For the Year Ended December 31, 2018

CANEY CITY LIBRARY
Caney, Kansas

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JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Caney City Library
Caney, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Caney City Library, a related municipal entity of the City of Caney, Kansas, as of and for the year ended December 31, 2018, and the related notes to the financial statement.

Management's Responsibility 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Library's preparation and fair presentation of the financial statement 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by Caney City Library to meet the requirements of the State of Kansas 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.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the 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 Caney City Library as of December 31, 2018, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of Caney City Library as of December 31, 2018 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.

Other Matters

Supplemental 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 individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedule 1 as listed in the table of contents) is presented for analysis and is 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.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of Caney City Library as of and for the year ended December 31, 2017 (not presented herein), and have issued our report thereon dated July 2, 2018, which contained an unmodified opinion on the basic financial statement. The 2017 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 <http://admin.ks.gov/offices/chief-financial-officer/municipal-services>. The 2017 actual column (2017 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures-actual and budget for the year ended December 31, 2018 (Schedule 1 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 2017 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 2017 basic financial statement. The 2017 comparative information was subjected to the auditing procedures applied in the audit of the 2017 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 2017 basic financial statement or to the 2017 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

2017 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, 2017, on the basis of accounting described in Note 1.

A handwritten signature in cursive script that reads "Jarred, Gilmore & Phillips, PA".

JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

May 13, 2019
Chanute, Kansas

CANEY CITY LIBRARY

Caney, Kansas

Summary Statement of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis

For the Year Ended December 31, 2018

Funds	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Cash Balances December 31, 2018
General	\$ (14,009.40)	\$ 91,434.77	\$ 62,430.59	\$ 14,994.78	\$ 1,941.17	\$ 16,935.95
Total Reporting Entity	\$ (14,009.40)	\$ 91,434.77	\$ 62,430.59	\$ 14,994.78	\$ 1,941.17	\$ 16,935.95
Composition of Cash						
			Cash on Hand.....			\$ 60.00
			Petty Cash Checking.....			389.10
			General Checking.....			16,486.85
			Total Cash			\$ 16,935.95

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

CANEY CITY LIBRARY

Caney, Kansas

Notes to Financial Statement

December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement and schedules of the Caney City Library, Caney, Kansas, have been prepared in order to show compliance with the cash basis laws of the State of Kansas. The Governmental Accounting Standards Board is the principal standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Library's accounting policies follow. Note 1 describes how the Library's accounting policies differ from generally accepted accounting policies.

Financial Reporting Entity

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

Related Municipal Entities: A related municipal entity is determined by the following criteria. Whether the Library 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 operational or financial relationships with the Library. Related municipal entities are not required to be included in the Library's audit by the Kansas Municipal Audit and Accounting Guide (KMAAG). Based upon the application of this criterion, the following is a brief review of potential related municipal entities:

Can Kan Friends of the Library

The Library Foundation Board operates the Friends of the Library. The Board can acquire or dispose of real property. Officers are elected by its members. The Foundation is operated independent of the Library's governing body. The Friends of the Library was formed to promote and foster the purposes of the Library, and to create a fund to be used for any program, project or enterprise undertaken in the interest of the Library. The Foundation acts largely as a fund raising organization, soliciting, receiving, managing and disbursing contributions on behalf of the Library. Separate financial statements are prepared by the Foundation.

Regulatory Basis Fund Types

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or 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. The following types of funds comprise the financial activities of the Caney City Library, for the year of 2018:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation – Regulatory Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The (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 revenues 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 municipality 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 municipality to use the regulatory basis of accounting.

Reimbursed Expenses

K.S.A. 79-2934 provides that reimbursed expenditures, in excess of those budgeted, should be recorded as reductions in expenditures rather than revenues. In the financial statement and budget schedule comparisons presented in this report, reimbursements and refunds are recorded as revenues. The reimbursements are recorded as receipts when received by the library treasurer and are often difficult to identify the exact expenditure which they are reimbursing. In funds showing expenditures in excess of the original adopted budget, reimbursements are added to the adopted budget as budget credits for comparison with the actual expenditures.

Budgetary Information

The Library Board is not subject to the Kansas Budget Law, as they are not the primary taxing authority for the Library Board. The City of Caney Council hold the taxing authority for the Library Board. The Library Board adopts an annual budget for the General Fund for managerial purposes. The budget comparison on Schedules 1 reflect this internal managerial budget.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Kansas Statutes

Statement 1 has been prepared in order to show compliance with the cash basis laws of Kansas. As shown in Statement 1, the Library was in compliance with the cash basis laws of Kansas.

Management is not aware of any other statutory violations.

3. DEPOSITS AND INVESTMENTS

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 branch 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.

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.

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. All deposits were legally secured at December 31, 2018.

At year-end, the Library's carrying amount of deposits was \$16,875.95 and the bank balance was \$19,110.98. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balances, \$19,110.98 was covered by FDIC insurance.

4. RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The Library manages these risks of loss through the purchase of various insurance policies.

5. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Vacation Time

Full time employees/Director will receive 12 days of paid vacation annually after one year of employment. Assistant Librarian will receive five days of paid vacation. Vacation days do not accumulate and must be used up by the end of the year.

Sick Leave

Sick leave is granted to full time employees for personal illness, bodily injury, or to keep doctor or dental appointments. The 12 days of sick leave may not be held over for the following year. They, like vacation days, will not accumulate and must be used up by the end of the year. Assistant Librarian will receive 5 days paid sick leave.

5. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS (Continued)

The Library accrues a liability for compensated absences which meet the following criteria:

1. The Library's obligation relating to employees rights to receive compensation for future absences is attributable to employees' services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria, the Library has not estimated a liability for sick leave earned, but not taken, by Library employees, as the amounts cannot be reasonably estimated at this time.

Other Post Employment Obligations

The Library has an IRA plan available for its employees. An employee is eligible after their first day of employment for employee elective deferrals. It provides for discretionary contributions by the Library as determined annually by the Board of Trustees, up to the maximum, an amount permitted under the Internal Revenue Code. Total contributions made by the Library into the plan on behalf of the employees for the year ended December 31, 2018 was, \$887.68.

6. SUBSEQUENT EVENTS

The Library evaluated events and transactions occurring subsequent year end, and there were no subsequent events requiring recognition in the financial statements. Additionally, there were no nonrecognized subsequent events requiring disclosure.

SUPPLEMENTARY INFORMATION

CANEY CITY LIBRARY
Caney, Kansas
GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2018

(With Comparative Actual Amounts For the Year Ended December 31, 2017)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Taxes and Shared Receipts				
Southeast Kansas				
Library System	\$ 10,065.00	\$ 9,582.00	\$ 10,265.00	\$ (683.00)
City of Caney	64,156.40	65,929.57	69,175.00	(3,245.43)
State Aid	627.22	539.61	627.00	(87.39)
Other Grants	670.12	2,281.25	-	2,281.25
Use of Money and Property				
Interest Income	1.68	-	-	-
Other Receipts				
Fines and Fees	2,580.55	3,029.89	-	3,029.89
Donations	8,308.88	6,213.34	1,250.00	4,963.34
Reimbursed Expenses	-	3,193.32	-	-
Miscellaneous	606.37	665.79	-	665.79
Total Receipts	87,016.22	91,434.77	\$ 81,317.00	\$ 6,924.45
Expenditures				
Culture and Recreation				
Personal Services	64,072.22	33,864.53	\$ 55,092.00	\$ (21,227.47)
Contractual Services	24,621.97	20,544.59	12,725.00	7,819.59
Commodities	18,900.38	8,021.47	12,500.00	(4,478.53)
Total Expenditures	107,594.57	62,430.59	\$ 80,317.00	\$ (17,886.41)
Receipts Over(Under) Expenditures	(20,578.35)	29,004.18		
Unencumbered Cash, Beginning	6,568.95	(14,009.40)		
Unencumbered Cash, Ending	\$ (14,009.40)	\$ 14,994.78		



Board of Trustees
Caney City Library
Caney, Kansas

In planning and performing our audit of the financial statement of Caney City Library as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered Caney City Library's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Caney City Library's internal control. Accordingly, we do not express an opinion on the effectiveness of Caney City Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Library's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in internal control to be material weaknesses:

Segregation of Duties

An internal control structure is, quite simply, the procedures and policies in effect which ensure that the Library's financial activity is properly recorded, processed, summarized, and reported in the financial statements. A weakness in the control structure occurs when one person is responsible for all of the accounting activities such as performing billings, receipting cash, making deposits, reconciling the bank accounts, and having access to all books and records of the Library. Due to small staff size, it is not possible for reviews of daily work to take place by another person, potentially resulting in errors in financial records and reports.

Payroll Taxes

During our testing of disbursements, it was noted the first two quarters of payments to the IRS were paid late in 2018. Based on our past experience, the IRS will not forgive penalties associated with payroll taxes, we recommend staff obtain training in payroll rules and the Library should make every effort possible to pay payroll taxes on a timely basis.

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Preparation of Financial Statement

Accounting standards states the client must be able to accept responsibility and be able to identify a material misstatement when reviewing the financial statement, including footnotes and supplemental information. This would also include knowing if a required footnote disclosure was missing or not correctly stated. Presently, the Library staff does not have the ability to process and prepare the required financial statement, including footnotes. The potential effects of this material weakness could be unrecognized errors on the financial statement. While we recognize that this condition is not unusual for a Library your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial reporting of the Library and changes in reporting requirements.

This communication is intended solely for the information and use of management, Board of Trustees, and others within Caney City Library, and is not intended to be, and should not be, used by anyone other than these specified parties.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

Chanute, Kansas
May 13, 2019