North Central Kansas Libraries System

Financial Statements
As of December 31, 2023
and For the Year Then Ended

With Report by Independent Auditors

KIENTZ & PENICK
CPAs, LLC

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Table of Contents

	Page
Independent Auditor's Report	1 – 2
Management's Discussion and Analysis	3 – 5
Financial Statements	
Statement of Net Position	6
Statement of Activities	7
Balance Sheet – Governmental Funds	8
Statement of Revenue, Expenditures and Changes in Fund Balances Governmental Funds	9
Statement of Revenue, Expenditures and Changes in Fund Balance General Fund – Budget and Actual (Budget Basis)	10
Statement of Revenue, Expenditures and Changes in Fund Balance Employee Benefit Fund – Budget and Actual (Budget Basis)	11
Notes to Financial Statements	12 – 16

KIENTZ & PENICK
CPAs, LLC

To the Executive Committee
North Central Kansas Libraries System
629 Poyntz Ave
Manhattan, Kansas 66502

April 12, 2024

Independent Auditor's Report

Opinion
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Central Kansas Libraries System (the Libraries System), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Libraries System's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Libraries System as of December 31, 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
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 (KMAAG). Our responsibilities under those standards are further described below in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are required to be independent of the Libraries System 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 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 Libraries System's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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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, including omissions, 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 Libraries System'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 Libraries System'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 American require that *management's discussion and analysis*, as listed in the table of contents, be presented to supplement the basis financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

We have applied certain limited procedures to this required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Kientz & Penick, CPAs, LLC

Certified Public Accountants
Manhattan, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS

General Information

This discussion and analysis of North Central Kansas Libraries System (the Libraries System) financial performance provides an overview of the Libraries System's financial activities for the year ended December 31, 2023. Please read this in conjunction with the Libraries System's financial statements, which begin after this section of the report.

Financial Highlights

In 2023, the Libraries System budgeted a competitive grant of $80,000 toward facilities improvements in area libraries. Ten library projects were funded for a total grant award of $79,600. A digital grant was created and launched in April 2023 to connect residents in the eight taxing counties with digital content in the Sunflower e-library Overdrive consortium.

The Libraries System will separate all administrative and operational functions with the Manhattan Public Library in mid-2024. Higher costs are expected for personnel and operations due to this split. Staff travel, in-person meetings and library programming are resuming to normal levels reflected in an increase in both fuel costs and the programming grant applications.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities on pages 6 and 7 provide information about the activities of the Libraries System as a whole and present a longer-term view to the Libraries System's finances. Fund financial statements start on page 8.

For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Libraries System's operations in more detail than the government-wide statements by providing information about the Libraries System's most significant funds.

Reporting the Libraries System as a Whole

The Statements of Net Position and the Statements of Activities

One of the most important questions asked about the Libraries System's finances is "Is the Libraries System as a whole better off or worse off as a result of the year's activities?". The Statements of Net Position and the Statements of Activities report information about the Libraries System as a whole and about its activities that helps answer this question.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report on the Libraries System's net position and changes in it.

Think of the Libraries System's net position, the difference between assets and liabilities, as one way to measure the Libraries System's financial health or financial position. Over time, increases or decreases in the Libraries System's net position are one indicator of whether financial health is improving or deteriorating.

The following is a summary of the statement of net position:

	2023	%	2022	%
Assets and Deferred Outflows				
Current assets	$ 2,638,123	98%	$ 2,267,894	98%
Noncurrent assets	41,821	2%	34,914	2%
Total Assets and Deferred Outflows	$ 2,679,944	100%	$ 2,302,808	100%
Liabilities, Deferred Outflows and Net position				
Current liabilities	$ 2,916	1%	$ 5,952	1%
Noncurrent liabilities	34,814	1%	28,527	1%
Deferred inflows of resources	1,531,136	57%	1,202,354	52%
Net position	1,111,078	41%	1,065,975	46%
Total Liabilities, Deferred Outflows and Net Position	$ 2,679,944	100%	$ 2,302,808	100%

The following is a summary of significant changes in net position:

	2023	2022
Net Program Expense		
Program revenues	$ 71,132	$ 123,223
Program expenses	(1,360,230)	(1,319,975)
Net Program Expense	(1,289,098)	(1,196,752)
General revenues	1,334,201	1,310,418
Change in Net Position	$ 45,103	$ 113,666

As shown above, the Libraries System funds the majority of its programs through general revenues, primarily property taxes from participating counties.

Fund Financial Statements

Analysis of the Libraries System's major funds begins on page 8. The budgetary statements are on pages 10 and 11 and provide detailed information about the general fund and the employee benefit fund, not the Libraries System as a whole. However, the Libraries System executive committee established other funds to help or control money for particular purposes or to show that it is meeting legal responsibility for using grants and other monies. The Libraries System uses governmental funds.

The Libraries System's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can regularly be converted to cash. The governmental fund statements provide a short-term view of the Libraries System's general government operations and the services it provides.

Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Libraries System's programs. The relationship (or differences) between governmental activities (reported in a statement of net position and the statement of activities) and the governmental funds is provided in the reconciliation at the bottom of the fund financial statements.

Capital Asset Administration

At the end of 2023, the Libraries System had $41,821 invested in capital assets, net of depreciation. During 2023, the Libraries System capitalized the purchase of a 2023 Nissan Rogue vehicle in the amount of $24,655.

Factors Bearing on the Future of the Libraries System
At the time these financial statements were prepared and audited, the Libraries System was aware of the following items that could have significant impact on its finances in the future:

- The Libraries System continues to closely consider external factors such as (1) the costs of facilities, and (2) KPERS and other employee benefit costs. Each of these factors are formally reviewed on an annual basis by the executive committee as part of an ongoing shared services agreement with the Manhattan Public Library.

- The Libraries System will separate all administrative and operational functions with the Manhattan Public Library during 2024. Higher costs are expected for personnel and operations due to this split.

Contacting the Libraries System's Financial Management
This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Libraries System's finances. The report is also designed to show the Libraries System's accountability for the money it receives. Further questions concerning this report, or the financial status of the Libraries System should be directed to:

Sandy Wilkerson, Libraries System Director
North Central Kansas Libraries System
629 Poyntz Ave
Manhattan, KS 66502

FINANCIAL STATEMENTS

	Governmental Activities Libraries System
Assets	
Current Assets	
Cash and cash equivalents	$ 1,106,987
Property taxes receivable	1,531,136
Total Current Assets	2,638,123
Noncurrent Assets	
Capital assets, net	41,821
Total Assets	$ 2,679,944
Liabilities, Deferred Inflows of Resources and Net Position	
Liabilities	
Current Liabilities	
Accounts payable	$ 2,916
Noncurrent Liabilities	
Compensated absences liability	34,814
Total Liabilities	37,730
Deferred Inflows of Resources	
Unavailable property taxes receivable	1,531,136
Net Position	
Net investment in capital assets	41,821
Unrestricted	1,069,257
Total Net Position	1,111,078
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 2,679,944

	Governmental Activities
	Libraries System
Program Expenses	
Personnel services	$ 711,888
Contractual services	114,369
Grants to member libraries	348,633
Commodities	167,592
Depreciation	17,748
Total Program Expenses	1,360,230
Program Revenues	
Charges for services	20,905
Operating grants and contributions	50,227
Total Program Revenues	71,132
Net Program Expense	1,289,098
General Revenues	
Property taxes	1,292,688
Interest income	41,013
Other income	500
Total General Revenues	1,334,201
Change in Net Position	45,103
Net Position – Beginning	1,065,975
Net Position – Ending	$ 1,111,078

	General	Employee Benefit	Capital Improvement	Other Government Funds	Total
Assets					
Cash and cash equivalents	$ 494,375	$ 152,769	$ 394,846	$ 64,997	$ 1,106,987
Property taxes receivable	1,293,536	237,600	-	-	1,531,136
Total Assets	$ 1,787,911	$ 390,369	$ 394,846	$ 64,997	$ 2,638,123
Liabilities, Deferred Inflows of Resources and Fund Balance					
Liabilities					
Accounts payable	$ 2,916	$ -	$ -	$ -	$ 2,916
Deferred Inflows of Resources					
Unavailable property taxes receivable	1,293,536	237,600	-	-	1,531,136
Fund Balance					
Committed	-	-	394,846	-	394,846
Assigned	-	152,769	-	64,997	217,766
Unassigned	491,459	-	-	-	491,459
Total Fund Balance	491,459	152,769	394,846	64,997	1,104,071
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 1,787,911	$ 390,369	$ 394,846	$ 64,997	$ 2,638,123

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position

Total fund balance from the governmental fund balance sheet above	$ 1,104,071
Capital assets are reported net of accumulated depreciation are not reported in the funds	41,821
The compensated absences liability is not reported in the funds	(34,814)
Total Net Position on the Statement of Net Position	$ 1,111,078

	General	Employee Benefit	Capital Improvement	Other Government Funds	Total
Revenues					
Property taxes	$ 1,082,285	$ 210,403	$ -	$ -	$ 1,292,688
Charges for services	-	-	-	20,905	20,905
Operating grants and contributions	-	-	-	50,227	50,227
Interest income	-	-	-	41,013	41,013
Other income	-	-	-	500	500
Total Revenues	1,082,285	210,403	-	112,645	1,405,333
Expenditures					
Personnel services	520,703	184,898	-	-	705,601
Contractual services	114,369	-	-	-	114,369
Grants to member libraries	348,633	-	-	-	348,633
Commodities	114,361	-	-	53,231	167,592
Capital outlay	-	-	24,655	-	24,655
Total Expenditures	1,098,066	184,898	24,655	53,231	1,360,850
Net Change in Fund Balance	(15,781)	25,505	(24,655)	59,414	44,483
Fund Balance – Beginning	507,240	127,264	419,501	5,583	1,059,588
Fund Balance – Ending	$ 491,459	$ 152,769	$ 394,846	$ 64,997	$ 1,104,071

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	
Net change in fund balance from the above statement of revenues, expenditures and changes in fund balances	$ 44,483
Depreciation on capital assets which is charged to expense in the statement of activities	(17,748)
Capital assets which are reported on the statement of net position but which are charged to expense in the funds	24,655
The change in the compensated absences liability is reported on the statement of activities but not in the funds	(6,287)
Total Change in Net Position on the Statement of Activities	$ 45,103

	Budget	Actual	Variance Over (Under)
Revenues			
Property taxes	$ 1,048,380	$ 1,082,285	$ (966,094)
Charges for service	16,000	-	(16,000)
Interest income	500	-	(500)
Total Revenues	$ 1,064,880	1,082,285	$ (982,594)
Expenditures			
Personnel services	$ 530,000	520,703	$ (9,297)
Contractual services	117,500	114,369	(3,131)
Grants to member libraries	372,000	348,633	(23,367)
Commodities	191,500	114,361	(77,139)
Transfer to capital improvement fund	60,000	-	(60,000)
Total Expenditures	$ 1,271,000	1,098,066	$ (172,934)
Net Change in Fund Balance (Budget Basis)		(15,781)	
Fund Balance (Budget Basis) – Beginning		507,240	
Fund Balance (Budget Basis) – Ending		$ 491,459	

At December 31, 2023, there were no differences between the fund balance (budget basis) presented above and the fund balance (modified accrual basis) as presented on the balance sheet – governmental funds.

	Budget	Actual	Variance Over (Under)
Revenues			
Property taxes	$ 204,243	$ 210,403	$ 6,160
Expenditures			
Personnel services	$ 245,000	184,898	$ (60,102)
Net Change in Fund Balance (Budget Basis)		25,505	
Fund Balance (Budget Basis) – Beginning		127,264	
Fund Balance (Budget Basis) – Ending		$ 152,769	

At December 31, 2023, there were no differences between the fund balance (budget basis) presented above and the fund balance (modified accrual basis) as presented on the balance sheet – governmental funds.

Note 1: Summary of Significant Accounting Policies

The accounting and reporting policies of North Central Kansas Libraries System (the Libraries System), relating to the funds included in the accompanying financial statements, conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication titled Audits of State and Local Governments (GASB 34 Edition), and by the Financial Accounting Standards Board, when applicable. The following is a summary of such significant policies.

The Financial Reporting Entity

The Libraries System is one of seven regional library systems in the State of Kansas established by law in 1965 (KSA 75-2547) as a regional system of cooperating libraries serving and governed by local public libraries in the north central region of Kansas. The Libraries System includes the twelve Kansas counties of Chase, Clay, Dickinson, Geary, Lyon, Marion, Marshall, Morris, Pottawatomie, Riley, Wabaunsee, and Washington of which the approximate, aggregate population is 230,000. Fifty-two libraries participate in system services and programs. Membership and participation in the system is voluntary on the part of each library. Each member maintains its independence and local autonomy.

The Libraries System is governed by a board provided for in KSA 75-2550. This governing body is made up of one representative selected by each participating library's board plus eight representatives appointed by the Kansas Governor to represent that area which is outside the individual boards' districts. The board as a whole meets once a year, and elects twelve members to serve as the executive committee for the Libraries System, which meets every other month. In accordance with KSA 75-2550a, the Libraries System's board delegates the authority to make decisions, influence operations, and primary accountability in fiscal matters to the executive committee.

The Libraries System is a primary government as defined in GASB No. 61 *The Financial Reporting Entity* and is financed by a tax on the areas of those counties where a district, township, city, or county library tax is not being levied. Federal and Kansas funds are also made available to help support system services, with additional funds coming from counties that must contract for system services.

As a municipality, the Libraries System is not subject to income, property or sales taxes. The Libraries System is, however, subject to employment taxes.

Government-Wide and Fund Financial Statements

The government-wide financial statements, the statement of net position, and the statement of activities report financial information for the Libraries System as a whole. Individual funds are not presented, but the statements distinguish governmental activities, which are generally supported by taxes, grants, and the Libraries System's general revenues.

The statement of activities reports the direct expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges for services which report fees, fines, and other charges to users of the Libraries System's services, operating grants and contributions which finance annual operating activities including investment income, and capital grants which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not included with program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Note 1: Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

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. Intergovernmental revenues 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 have been met.

Fund Financial Statements

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 to be available within the current period or soon enough thereafter to pay liabilities of the current period. The Libraries System considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the liability is incurred. However, expenditures related to compensated absences and claims, and judgments are recorded only when payment is due.

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 Libraries System reports the following major governmental funds.

Fund Name	Fund Purpose
General Fund	To account for general property taxes received from each of the regional counties within the Libraries System region of service.
Employee Benefit Fund	To account for employee benefit property taxes received from each of the regional counties within the Libraries System region of service.
Capital Improvement Fund	To account for financial resources to be used for improving, furnishing, equipping, remodeling or making additions to the Libraries System.
Other Government Funds	To account for and report all financial resources not accounted for and reported in another fund.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred inflows of resources, liabilities and deferred outflows of resources, and disclosure of contingencies at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Libraries System has evaluated subsequent events through April 12, 2024 which is the date the financial statements were available to be issued.

Note 1: Summary of Significant Accounting Policies (Continued)

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the General and Employee Benefit Funds. Although directory rather than mandatory, the statutes provide for the following sequence and 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 on or before August 5th of the proposed budget and notice of public hearing on the budget.
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.

If the Libraries System is holding a revenue neutral rate hearing, the budget timeline for adoption of the final budget has been adjusted to on or before September 20th. The Libraries System did not hold a revenue neutral rate hearing for this year.

Spending in funds which are not subject to the legal annual operating budget requirement are controlled by federal regulations, other statutes or by the use of internal spending limits established by the governing body. All legal annual operating budgets are prepared using the regulatory basis of accounting, in which regulatory receipts are recognized when cash is received and expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budget expenditure authority lapses at year end.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each budgeted fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipts other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must 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 such budget amendments in 2023.

Cash and Cash Equivalents

The Libraries System considers all bank deposit accounts, money market accounts and certificates of deposit classified as current assets to be cash and cash equivalents. Certificates of deposit with maturities of longer than three months can still be used by the Libraries System to meet current liabilities if they wish to pay any applicable penalties for early redemption.

Property Tax Calendar and Property Taxes Receivable

Collection of current year property tax by the treasurers of each county is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing Kansas statutes. Property taxes are collected and remitted to the county treasurers. Taxes levied annually on November 1st are due one-half by December 20th and one-half by May 10th. Taxes are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received.

Consequently, the current year property taxes receivable is not available as a resource that can be used to finance the current year operations of the Libraries System, and therefore, is not susceptible to revenue recognition. At December 31st, such taxes are recorded as property taxes receivable, net of anticipated delinquencies with a corresponding amount recorded as deferred inflows of resources on the balance sheet of the appropriate funds. It is not practicable to apportion delinquent taxes at the end of the year and, further, the amounts are not material in relationship to the basic financial statements.

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets, Net

Capital assets, which include property and equipment, are reported in the governmental column of the statement of net position. Capital assets are defined by the Libraries System as assets or a group of assets with an initial, individual cost of $5,000 or more and an estimated useful life of three or more years. These assets are valued at historical cost, estimated historical cost if actual cost is not available, or estimated fair value on the date donated. 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. The sale or disposal of capital assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income. The estimated useful lives used for each class of capital asset are as follows:

Class of Capital Asset	Estimated Useful Life (in Years)
Vehicles	5

Compensated Absences Liability

The compensated absences liability in the government-wide statement of net position consists of unpaid, accumulated vacation balances. Under the terms of the Libraries System's personnel policy, employees are granted vacation leave in varying amounts depending upon employee classification and length of service. Employees retiring from or terminating their employment with the Libraries System are eligible to receive payment for their accumulated vacation. Because the majority of this liability originates in a service period with an expectation of maturity and liquidation in a future service period that is more than one year into the future, this liability is not reported as liability in the funds.

Net Position Classifications

In the statement of net position, equity is shown as net position and categorized into the following classes:

Class of Net Position	Description
Net investment in capital assets	Capital assets, net of accumulated depreciation and any related debt obligations. This amount is separately classified to identify net position which is not liquid and spendable.
Unrestricted	All other resources of the Libraries System which are not categorized into one of the above classes.

When both restricted and unrestricted resources are available for use, it is the Libraries System's policy to use restricted resources first, then unrestricted resources as needed.

Fund Balance Classifications

In the balance sheet, equity is shown as fund balance and categorized into the following classes:

Class of Fund Balance	Description
Committed	Resources which have been set aside by the Libraries System's executive committee for capital improvement.
Assigned	Comprised of amounts intended to be used by the Libraries System for specific purposes that are neither nonspendable nor committed.
Unassigned	All other resources of the Libraries System which are not categorized into one of the above classes. The general fund is the only fund to report positive unassigned fund balances. Other funds may report a deficit fund balance as unassigned but will otherwise report positive fund balance in one of the classes above.

In circumstances when expenditures are made for a purpose which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, and unassigned.

Note 2: Banking Deposits

K.S.A. 9-1401 establishes the banking depositories which may be used by the Libraries System. The statute requires banks eligible to hold the Libraries System's fund have a main or branch bank in the county in which the Libraries System 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 Libraries System has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Libraries System'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 Libraries System has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

Kansas statutes place no limit on the amount the Libraries System 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 Libraries System's deposits may not be returned to the Libraries System. Kansas statutes require the Libraries System'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%.

On December 31, 2023, the Libraries System's carrying amount of deposits was $1,106,987 and the bank balance was $1,196,226. The difference between the bank balance and book balance is outstanding checks. The entirety of the bank balance was secured FDIC insurance by limiting the amount of funds on deposit with any single bank to the FDIC limit of $250,000.

Note 3: Capital Assets

Capital asset activity for the year ended December 31, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Net				
Vehicles	$ 74,361	$ 24,655	$ -	$ 99,016
Accumulated depreciation	(39,447)	(17,748)	-	(57,195)
Capital Assets, Net	$ 34,914	$ 6,907	$ -	$ 41,821

Note 4: Cost Sharing Agreement with the Manhattan Public Library

The Libraries System and the Manhattan Public Library (MPL) share common management and also have an agreement in place whereby MPL agrees to provide certain operating costs, such as personnel, occupancy and supplies expense. Additionally, MPL is responsible for the net pension liability of the Libraries System employees that participate in the Kansas Public Employees Retirement System (KPERS).

For 2023, the Libraries System made payments to MPL totaling $705,601 for personnel services and $46,124 for occupancy and supply expenses under this agreement.

Note 5: Risk Management

The Libraries System carries commercial insurance for risks of loss, including property, automobile, general liability, employment practices, crime, and workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage during 2023.