North Central Kansas Library System

Financial Statement
For the Year Ended December 31, 2024

With Report by Independent Auditors

KIENTZ & PENICK
CPAs, LLC

Table of Contents

	Page
Independent Auditor's Report	1 – 3
Basic Financial Statement and Note Disclosures	
Summary Statement of Regulatory Basis Receipts, Expenditures and Unencumbered Cash	4
Notes to the Financial Statement	5 – 8
Regulatory-Required Supplementary Information	
Schedule 1 – Summary of Expenditures – Actual and Budget	9
Schedule 2 – Schedule of Receipts and Expenditures	
Budgeted Funds – Actual and Budget	
General Fund	10
Employee Benefit Fund	11
Non-Budgeted Funds – Actual	12

KIENTZ & PENICK
CPAs, LLC

To the Executive Committee
North Central Kansas Library System
2316 SkyVue
Manhattan, KS 66502

March 7, 2025

Independent Auditor's Report

Adverse and Unmodified Opinions
We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures and unencumbered cash balances of North Central Kansas Library System (the Library System) as of and for the year ended December 31, 2024 and the related notes to the financial statement (collectively "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 for 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 System, 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 accompanying financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Library System, 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 (KMAAG)* 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 KMAAG. 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 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 adverse and unmodified audit 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 System on the basis of the financial reporting provisions of KMAAG, 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 KMAAG 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

Eric Kientz
CPA, CMA, CNAP
Senior Audit Partner
(785) 477-9053
Eric@KPMHK.CPA

PO Box 754
Manhattan, KS 66505

KPMHK.CPA

Taylor Penick
CPA, CNAP
Managing Partner
(785) 817-7716
Taylor@KPMHK.CPA

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, which raise substantial doubt about the Library System 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 and KMAAG, 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 System 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, which raise substantial doubt about the Library System 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 – In Relation to the Basic Financial Statement
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 regulatory-required supplementary information (RRSI) as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statement. The RRSI, however, is required to be presented under the provisions of KMAAG. 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 financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the RRSI is fairly stated in all material respects, in relation to the financial statement as a whole, on the basis of accounting described in Note 1.

Kientz & Penick, CPAs, LLC

Certified Public Accountants
Manhattan, Kansas

Fund	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General Fund						
General	$ 491,459	$ 1,104,945	$ 1,222,919	$ 373,485	$ 5,791	$ 379,276
Special Purpose Funds						
Budgeted						
Employee Benefit	152,769	215,436	215,540	152,665	-	152,665
Non-Budgeted						
Capital Improvement	394,846	50,000	-	444,846	-	444,846
Other Governmental	64,997	133,536	44,348	154,185	2,051	156,236
Total Reporting Entity	$ 1,104,071	$ 1,503,917	$ 1,482,807	$ 1,125,181	$ 7,842	$ 1,133,023

Composition of Ending Cash Balance	
Checking account	$ (2,700)
Certificates of deposit	1,135,723
Total Ending Bash Balance	$ 1,133,023

Note 1: Summary of Significant Accounting Policies

Municipal Financial Reporting Entity

North Central Kansas Library System (the Library 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 Library 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 Library 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 county commissioners. The board as a whole meets once a year, and elects twelve members to serve as the executive committee for the Library System, which meets every other month. In accordance with KSA 75-2550a, the Library System's board delegates the authority to make decisions, influence operations, and primary accountability in fiscal matters to the executive committee.

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

The regulatory financial statement presents the financial information of the Library System regulatory basis fund types as listed below.

Regulatory Basis Fund Type	Description
General 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 regulatory receipt sources (other than Capital Project and tax levies for long-term debt) that are intended for specific purposes.

Regulatory Basis of Accounting and Departure from U.S. GAAP

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

Note 1: Summary of Significant Accounting Policies (Continued)

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund and special purpose funds (unless specifically exempted by statute). 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 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 Library 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 Library System did hold a revenue neutral rate hearing for year ended December 31, 2024.

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 for this year.

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 schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

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 the prior year's accounts payable and encumbrances. Encumbrances are commitments by the Library System for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

A legal operating budget is not required for the non-budgeted special purpose funds as listed on the financial statement. Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by using internal spending limits established by the governing body.

Subsequent Events

The Library System has evaluated subsequent events through March 7, 2025, which is the date the financial statement was available to be issued.

Note 2: Deposits and Investments

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

K.S.A. 12-1675 limits the Library System 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 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 Library 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 Library System deposits may not be returned to it. Kansas statutes require the Library System 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 System has not designated peak periods and all deposits were legally secured on December 31, 2024.

At December 31, 2024, the Library System carrying amount of deposits was $1,133,023 and the bank balance was $1,164,391. The bank balance was held by nine separate banks and was entirely insured by FDIC coverage.

Note 2: Compensated Absences

Under the terms of the Library 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 Library System are eligible to receive payment for their accumulated vacation.

Note 3: Risk Management

The Library 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 2024.

Note 4: Regulatory Compliance Contingency

The Library System receives financial assistance in the form of grants and pass-through aid. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit. Any disallowed claims resulting from such audits could become a liability of the Library. The Library System has not experienced losses related to this type of contingency during the year ended December 31, 2024.

Note 5: Cost Sharing Agreement with the Manhattan Public Library

Through August 2024, the Library System and the Manhattan Public Library (MPL) had an agreement in place whereby MPL agreed to provide certain operating costs, such as occupancy and supplies expense. For 2024, the Library System made payments to MPL totaling $193,116 under this agreement.

Note 6: Defined Benefit Pension Plan

Plan Description

The Library System 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.

Contributions

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.

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 the Death and Disability Program) and the statutory contribution rate was 9.26% for the fiscal year ended December 31, 2024. Contributions to the pension plan from the Library System were $55,840 for the year ended December 31, 2024.

Net Pension Liability

The Library System first became an employer participant in KPERS during 2024. Given this timing, the Library System is not included in the proportional allocation of the KPERS net pension liability which is calculated as of December 31, 2023 and rolled forward to June 30, 2024.

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 publicly available on the website at www.kpers.org or can be obtained as described above.

Note 7: Lease Commitment

In October 2024, the Library System entered into a lease agreement for office facilities at 2316 Sky Vue Lane in Manhattan, Kansas. The agreement calls for an initial lease term of ten years beginning in January 2025 and ending in December 2034. At the end of the initial lease term, the Library System has the option to end the lease or extend the lease for a period of five years beginning in 2035 and ending in 2039. The property owner is responsible for all taxes and assessments, repairs and maintenance on the property.

Future minimum lease payments under this agreement are as follows:

Due In	Lease Payments
2025	$ 90,000
2026	90,600
2027	91,200
2028	91,800
2029	92,400
2030 to 2034	471,000
	$ 927,000

REGULATORY-REQUIRED SUPPLEMENTARY INFORMATION

Funds	Certified Budget	Adjustment to Comply with Legal Max	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
General Fund						
General	$ 1,433,036	$ -	$ -	$ 1,433,036	$ 1,222,919	$ (210,117)
Special Purpose Fund						
Employee Benefit	300,000	-	-	300,000	215,540	(84,460)
Total of all Budgeted Funds	$ 1,733,036	$ -	$ -	$ 1,733,036	$ 1,438,459	$ (294,577)

	General Fund		
	Actual	Budget	Variance Over (Under)
Receipts			
Property taxes	$ 1,104,945	$ 1,068,891	$ 36,054
Contracting fees	-	20,000	(20,000)
Interest	-	8,000	(8,000)
Total Receipts	1,104,945	$ 1,096,891	$ 8,054
Expenditures			
Personnel services	548,772	$ 600,000	$ (51,228)
Contractual services	165,708	141,000	24,708
Grants to member libraries	298,648	364,000	(65,352)
Commodities	156,342	278,036	(121,694)
Capital outlay	3,449	-	3,449
Transfer to the capital improvement fund	50,000	50,000	-
Total Expenditures	1,222,919	$ 1,433,036	$ (210,117)
Receipts Under Expenditures	(117,974)		
Unencumbered Cash – Beginning	491,459		
Unencumbered Cash – Ending	$ 373,485		

	Employee Benefit Fund		
	Actual	Budget	Variance Over (Under)
Receipts			
Property taxes	$ 215,436	$ 207,859	$ 7,577
Expenditures			
Personnel services	215,540	$ 300,000	$ (84,460)
Receipts Under Expenditures	(104)		
Unencumbered Cash – Beginning	152,769		
Unencumbered Cash – Ending	$ 152,665		

	Capital Improvement	Other Government Funds
Receipts		
Charges for services	$ -	$ 27,823
Grants and contributions	-	50,853
Interest	-	46,915
Other	-	7,945
Transfer from the general fund	50,000	-
Total Receipts	50,000	133,536
Expenditures		
Commodities	-	44,348
Receipts Over Expenditures	50,000	89,188
Unencumbered Cash – Beginning	394,846	64,997
Unencumbered Cash – Ending	$ 444,846	$ 154,185