

**CITY OF OVERBROOK, KANSAS
OVERBROOK PUBLIC LIBRARY**

REGULATORY BASIS FINANCIAL STATEMENTS
For the year ended December 31, 2018

And

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

**CITY OF OVERBROOK, KANSAS
OVERBROOK PUBLIC LIBRARY**

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Karlin & Long, LLC
Certified Public Accountants

City of Overbrook, Kansas
Overbrook Public Library
P.O. Box 325
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Overbrook Public Library, Overbrook, Kansas ("Municipality") as of and for the year ended December 31, 2018, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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 financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's 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 that 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 statements.

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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 the Overbrook Public 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.

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 the Overbrook Public 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

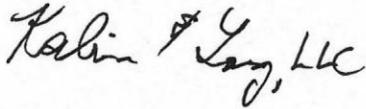
In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Overbrook Public Library as of December 31, 2018, and the aggregate receipts and expenditures for the year then ended in accordance with the financial 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 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 and individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for purposes of additional 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.



Karlin & Long, LLC
Certified Public Accountants

Lenexa, KS
May 30, 2019

OVERBROOK PUBLIC LIBRARY
 Summary Statement Receipts, Expenditures, and Unencumbered Cash
 Regulatory Basis
 For the Year Ended December 31, 2018

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds:							
General	\$ 17,998	\$ -	\$ 91,668	\$ 92,998	\$ 16,668	\$ -	\$ 16,668
Special Purpose Funds							
State of Kansas and NEKL	6,828	-	32,080	32,080	6,828	-	6,828
Trust Funds							
Memorial and gifts	18,024	-	3,163	67	21,120	-	21,120
Total Reporting Entity	<u>\$ 42,850</u>	<u>\$ -</u>	<u>\$ 126,911</u>	<u>\$ 125,145</u>	<u>\$ 44,616</u>	<u>\$ -</u>	<u>\$ 44,616</u>
Composition of Cash					Checking Account		\$ 37,125
					Savings Account		1,415
					Petty Cash		-
					Certificates of Deposit		6,076
					Total Component Unit		<u>\$ 44,616</u>

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

**CITY OF OVERBROOK, KANSAS
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NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies

Financial Reporting Entity

The Overbrook Community Library operates the City's public library. The City annually levies a tax for the Library. The accounting policies of the Overbrook Community Library are the same as those of the City. The city council appoints the members of the board of the Overbrook Public Library. The complete financial records of the Overbrook Community Library may be viewed at the city offices at 401 Maple, Overbrook, Kansas 66524. The regulatory statement presents the City of Overbrook Public Library (the municipality).

Regulatory Basis Fund Types

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

Special Purpose Funds - 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.

Trust Funds – funds used to report assets held in trust for the benefit of the municipal financial reporting entity (i.e. memorials and gifts which benefit the municipal reporting entity).

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 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.

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NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

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 City to use the regulatory basis of accounting.

Budgetary Information

Kansas Statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds by the City of Overbrook, Kansas. The Overbrook Public Library participates in the budgeting process, 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.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenues 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 statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

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NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

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 document evidencing the commitments such as a purchase order or contract. Any unused budget expenditure authority lapses at year-end.

A legal operating budget is not required for capital projects funds or trust funds.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

NOTE 2 – Stewardship, Compliance and Accountability

Compliance with Kansas Statutes

We noted no violations of Kansas Statutes for the period under audit.

NOTE 3 – Deposits and Investments

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

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

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NOTES TO FINANCIAL STATEMENTS

NOTE 3 – Deposits and Investments (Continued)

Concentration of Credit Risk

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

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Municipality's deposits may not be returned to it. State statutes require the Municipality'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%. All deposits were legally secured at December 31, 2018.

At December 31, 2018, the Municipality's carrying amount of deposits was \$ 44,616 and the bank balance was \$ 51,703. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$ 51,703 was covered by federal depository insurance and the balance was collateralized with securities held by the pledging financial institutions' agents in the Municipality's name.

Custodial Credit Risk- Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Municipality will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

NOTE 4 – Interfund Transactions

There were no operating transfers during the year.

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NOTES TO FINANCIAL STATEMENTS

NOTE 5 – Defined Benefit Pension Plan

Plan Description – The Overbrook Public 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 Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 S. Kansas; Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions – K.S.A. 74-4919 and K.S.A. 74-4921 establishes the KPERS member-employee contribution rates depending on whether the employee is KPERS 1, KPERS2, 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 provisions 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 results of each annual actuarial valuation. Kansas sets a limitation on annual increases in the employer contributions 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 8.39% for the fiscal year ended December 31, 2018. Contributions to the pension plan from the Overbrook Public Library, Kansas were \$ 3,959 for the year ended December 31, 2018.

Net Pension Liability

At December 31, 2018, the Overbrook Public Library proportionate share of the collective net pension liability reported by KPERS was \$45,933 the net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined was an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018. The Overbrook Public Libraries proportion of the net pension liability was based on the ratio of the Overbrook Public Library contributions to KPERS, relative to the total employer and non-employer contributions to the Local subgroup within KPERS. Since KMAAG regulatory basis of accounting

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NOTES TO FINANCIAL STATEMENTS

NOTE 5 – Defined Benefit Pension Plan (continued)

does not recognize long-term debt, this liability is not reported in these financial statements.

The complete actual 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 website www.KPERS.org or can be obtained as described above.

NOTE 6 – 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 city 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 these statements.

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

Compensated Absences

Library employees receive vacation and sick leave benefits. Vacations benefits accrue on a monthly basis and an annual carryover caps the number of days transferred from year to year. Upon termination, employees are compensated for any unused vacation leave. Sick leave accrues on a monthly basis up to a maximum. Upon termination, employees are not compensated for any unused sick leave. This amount has not been recorded in the financial statements.

NOTE 7 – Claims and Judgments

The Library participates in federal, state and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Library may be required to reimburse the grantor government.

**CITY OF OVERBROOK, KANSAS
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NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Claims and Judgments (continued)

As of July 7, 2019, grant expenditures have not been audited, but the Library believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Library.

The Library is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employee; and natural disasters. The Library has purchased commercial insurance for these potential risks. There have been no significant reductions in insurance coverage from 2017 to 2018 and there were no settlements that exceeded insurance coverage in the past three years.

During the ordinary course of its operations the Library is a party to various claims, legal actions and complaints. It is the opinion of the Library's management and legal counsel that these matters are not anticipated to have a material financial

NOTE 8 – Subsequent Events Review

Subsequent events for management's review have been evaluated through May 30, 2019. The date in the prior sentence is the date the financial statements were available to be issued.

Overbrook, Kansas Public Library

Regulatory-Required

Supplementary Information

For the year ended December 31, 2018

OVERBROOK PUBLIC LIBRARY
GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
Regulatory Basis
For the Year Ended December 31, 2018

	<u>Actual</u>
CASH RECEIPTS	
City appropriation	\$ 75,913
Fines, dues, copies	1,689
Interest income	85
Miscellaneous revenues	13,981
Operating transfers	
	<hr/>
Total Cash Receipts	<u>91,668</u>
EXPENDITURES	
Salaries and payroll taxes	63,842
Insurance	3,112
Books and periodicals	2,256
Supplies and materials	1,268
Capital improvements	2,110
Utilities	15,060
Technology, Programming, PR	444
Contract services	4,843
Postage	63
Miscellaneous	0
Operating transfers	-
Adjustments for qualifying budget credits	-
	<hr/>
Total Expenditures	<u>92,998</u>
Receipts Over (Under) Expenditures	(1,330)
Unencumbered Cash, Beginning	17,998
Prior Year Cancelled Encumbrances	-
	<hr/>
Unencumbered Cash, Ending	<u><u>\$ 16,668</u></u>

OVERBROOK PUBLIC LIBRARY
SPECIAL PURPOSE FUND
 STATE OF KANSAS AND NEKL FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
 Regulatory Basis
 For the Year Ended December 31, 2018

	Actual
CASH RECEIPTS	
State of Kansas	\$ 294
Endowment	11,558
NEKL Association	20,228
Total Cash Receipts	32,080
EXPENDITURES	
Salaries and payroll taxes	8,993
Books and periodicals	11,556
Supplies and materials	702
Technology	10,829
Total Expenditures	32,080
Receipts Over (Under) Expenditures	-
Unencumbered Cash, Beginning	6,828
Prior Year Cancelled Encumbrances	-
Unencumbered Cash, Ending	\$ 6,828

OVERBROOK PUBLIC LIBRARY
TRUST FUND
 MEMORIALS AND GIFTS FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
 Regulatory Basis
 For the Year Ended December 31, 2018

		<u>Actual</u>
CASH RECEIPTS		
Donations	\$	3,163
Miscellaneous revenues		
Operating transfers		
Total Cash Receipts		<u>3,163</u>
EXPENDITURES		
General expenditures		<u>67</u>
Total Expenditures		<u>67</u>
Receipts Over (Under) Expenditures		3,096
Unencumbered Cash, Beginning		18,024
Prior Year Cancelled Encumbrances		<u>-</u>
Unencumbered Cash, Ending	\$	<u><u>21,120</u></u>