

ARKANSAS RIVER VALLEY REGIONAL LIBRARY SYSTEM

Independent Auditors' Report

Financial Statements

December 31, 2022 and 2021

ARKANSAS RIVER VALLEY REGIONAL LIBRARY SYSTEM

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SHOPTAW, LABAHN & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

JOHN W. SHOPTAW, CPA
LORI A. MELTON, CPA
JEFFREY S. NUFER, CPA

915 WEST MAIN SUITE B P.O. BOX 1065, RUSSELLVILLE ARKANSAS 72811
TEL 479-967-3600 FAX 479-967-2131

Independent Auditors' Report

Board of Directors
Arkansas River Valley Regional Library System:

Opinion

We have audited the accompanying financial statements of the Arkansas River Valley Regional Library System which comprise the statements of net position as of December 31, 2022 and 2021 and the related statements of activities and changes in net position and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Arkansas River Valley Regional Library System, as of December 31, 2022 and 2021, and changes in net position and, where applicable, cash flows thereof for the years 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Arkansas River Valley Regional Library System and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Board of Directors
Arkansas River Valley Regional Library System

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 Arkansas River Valley Regional Library System's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 Arkansas River Valley Regional Library 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Arkansas River Valley Regional Library 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.

January 19, 2024

Shepherd, Hobbs & Coyle, P.C.

ARKANSAS RIVER VALLEY REGIONAL LIBRARY SYSTEM

Statements of Net Position

December 31, 2022 and 2021

	<u>Assets</u>	
	<u>2022</u>	<u>2021</u>
Current assets:		
Cash	\$ 439,976	344,769
County taxes receivable	108,756	147,262
Receivable from county	1,848	4,290
Prepaid services	56,553	58,244
Prepaid insurance	<u>3,247</u>	<u>4,640</u>
Total current assets	<u>610,380</u>	<u>559,205</u>
Equipment	279,613	294,848
Less accumulated depreciation	<u>(115,901)</u>	<u>(65,901)</u>
Net equipment	<u>163,712</u>	<u>228,947</u>
	<u>\$ 774,092</u>	<u>788,152</u>
	<u>Liabilities and Net Position</u>	
Current liabilities:		
Accounts payable	9,576	70,914
Payroll taxes payable	<u>3,342</u>	<u>2,747</u>
Total current liabilities	<u>12,918</u>	<u>73,661</u>
Net position:		
Unrestricted:		
Designated for purchase of equipment	26,419	26,386
Undesignated	<u>734,755</u>	<u>688,105</u>
Total net position	<u>761,174</u>	<u>714,491</u>
	<u>\$ 774,092</u>	<u>788,152</u>

ARKANSAS RIVER VALLEY REGIONAL LIBRARY SYSTEM

Statements of Activities and Changes in Net Position

Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Support and revenue:		
Support:		
State aid assistance	\$ 204,156	188,784
Grants	24,291	311,123
County and city	337,818	271,760
Contributions and other	882	145
Total support	<u>567,147</u>	<u>771,812</u>
Revenue:		
Interest income	675	202
Total revenue	<u>675</u>	<u>202</u>
Total support and revenues	<u>567,822</u>	<u>772,014</u>
Expenses:		
Magazines, audio visual, paperbacks and microfilm	3,529	8,045
Materials - databases	52,764	43,497
Technology	20,692	25,080
Vehicle expenses	9,122	4,725
Salaries	156,281	145,785
Payroll taxes and fringe benefits	49,529	44,440
Professional services	5,600	12,428
Travel and staff development	10,131	9,573
Automation	72,555	108,815
Depreciation	67,739	15,404
Equipment rental	8,300	5,695
Postage, telephone and telecommunications	8,652	14,550
Insurance	8,851	9,241
Book supplies	3,141	1,972
Office supplies	4,583	15,742
Building maintenance	250	691
Miscellaneous	39,420	30,453
Total expenses	<u>521,139</u>	<u>496,136</u>
Change in net position	46,683	275,878
Net position, beginning of year	<u>714,491</u>	<u>438,613</u>
Net position, end of year	<u>\$ 761,174</u>	<u>714,491</u>

ARKANSAS RIVER VALLEY REGIONAL LIBRARY SYSTEM

Statements of Cash Flows

Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Support received	\$ 605,653	694,567
Interest collected	675	202
Payments for expenses:		
Compensation and related expenses	(205,810)	(190,225)
Vendors for goods and services	<u>(301,258)</u>	<u>(245,916)</u>
Cash flows provided by operating activities	<u>99,260</u>	<u>258,628</u>
Cash flows from investing activities:		
Purchase of equipment	<u>(4,053)</u>	<u>(214,084)</u>
Cash flows used by investing activities	<u>(4,053)</u>	<u>(214,084)</u>
Net increase in cash	95,207	44,544
Cash at beginning of year	<u>344,769</u>	<u>300,225</u>
Cash at end of year	<u>\$ 439,976</u>	<u>344,769</u>
Reconciliation of change in net position to cash provided by operating activities:		
Change in net position	\$ 46,683	275,878
Adjustments to reconcile excess of support and revenue over expenses to cash provided by operating activities:		
Depreciation	67,739	15,404
Change in assets and liabilities:		
Decrease (increase) in county taxes receivable	38,506	(77,245)
Decrease in accounts receivable	2,442	10,835
Decrease (increase) in prepaid services	1,691	(14,594)
Decrease (increase) in prepaid insurance	1,393	(305)
Loss on assets disposed	1,549	-
Increase (decrease) in accounts payable	(61,338)	48,846
Increase (decrease) in payroll taxes payable	<u>595</u>	<u>(191)</u>
Total adjustments	<u>52,577</u>	<u>(17,250)</u>
Net cash provided by operating activities	<u>\$ 99,260</u>	<u>258,628</u>

ARKANSAS RIVER VALLEY REGIONAL LIBRARY SYSTEM

Notes to Financial Statements

December 31, 2022 and 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

(a) Nature of Operations

Arkansas River Valley Regional Library is engaged in providing library services in seven public libraries in Franklin, Johnson, Logan and Yell Counties in Arkansas.

(b) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(c) Grants

The Library records income from unrestricted grants in the period in which the grant is received.

(d) Inexhaustible Collections and Books

Because the values of the existing inexhaustible collections, including research books, are not readily determinable, the Library has not capitalized them. Also, because the values of books acquired in each year are not readily determinable at the balance sheet date, the Library has not capitalized them.

(e) Support

The Library records as support monies received from state aid, county and city contributions and other contributions in the year the money is received or collected for use by the counties. The Library receives millage and other contributions from Franklin, Johnson, Logan and Yell Counties in Arkansas. The counties also reimbursed the Library for various services.

(f) Cash

For purposes of the statements of cash flows, the Library defines cash as all demand and time deposits in banks.

ARKANSAS RIVER VALLEY REGIONAL LIBRARY SYSTEM

Notes to Financial Statements, Continued

(g) Depreciation

The cost of equipment is depreciated over the estimated lives of the equipment using the straight-line depreciation method. Useful lives range from 3 to 20 years. Expenditures for maintenance and repairs are expensed as incurred; replacements and betterments that extend the useful lives of equipment are capitalized.

(h) Income Taxes

Arkansas River Valley Regional Library operates under an agreement between four counties in Arkansas and was created under provisions established by the Arkansas General Assembly. It is exempt from income taxes.

(2) EQUIPMENT

Equipment and vehicles are recorded at cost, if purchased, or fair value if contributed, as follows:

	<u>2022</u>	<u>2021</u>
Equipment and vehicles purchased	\$ 261,630	276,865
Equipment purchased - grant funds	<u>17,983</u>	<u>17,983</u>
	279,613	294,848
Less accumulated depreciation	<u>115,901</u>	<u>65,901</u>
Net equipment and vehicles	<u>\$ 163,712</u>	<u>228,947</u>

The equipment purchased with grant funds may revert to the granting agency if the purpose for which the equipment is to be used is terminated.

(3) UNRESTRICTED NET ASSETS

At December 31, 2022 and 2021, the Library had unrestricted net assets designated by the Board of Directors for purchases of equipment in the amount of \$26,419 and \$26,386, respectively.

(4) RETIREMENT PLAN

The Library contributes to the Arkansas Public Employees Retirement System (APERS) on behalf of full time employees of the Library. During 2022 and 2021, the Library contributed \$21,568 and \$19,778 respectively, to APERS. The contribution is included in fringe benefits and payroll taxes in the accompanying statements of activities and changes in net position.

ARKANSAS RIVER VALLEY REGIONAL LIBRARY SYSTEM

Notes to Financial Statements, Continued

(5) CONCENTRATIONS

The Library maintains its cash accounts at one financial institution. The balances of these accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 as of December 31, 2022. At December 31, 2022, the Library had uninsured cash balances of \$149,403.

In 2022 and 2021, the Library received state aid assistance of \$204,156 and \$188,784 respectively. This aid depends on appropriation by the Arkansas General Assembly and is determined annually.

(6) SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 19, 2024 which is the date the financial statements were available to be issued.

(7) GRANTS RECEIVED

In 2021, the System applied for and received a CARES Act reimbursement for expenses incurred in combating the Coronavirus pandemic. The reimbursement received totaled \$230,388 in 2021. The expenses reimbursed were incurred in 2020 and 2021. The expenditures were made to be able to maintain service to the public in the area served.

The System also received funds totaling \$75,370 from the Federal Institute of Museum and Library Services. The funds are for use in helping communities respond to the pandemic. The funds were authorized by the American Rescue Plan.

A substantial amount of the money provided under the above grants were used in acquiring digital equipment to assist with communication with users of the System's services and to purchase sanitizing equipment and materials.

ARKANSAS RIVER VALLEY REGIONAL LIBRARY SYSTEM

Independent Auditors' Report

Financial Statements

December 31, 2021 and 2020

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SHOPTAW, LABAHN & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

JOHN W. SHOPTAW, CPA

LORI A. MELTON, CPA

JEFFREY S. NUFER, CPA

915 WEST MAIN, SUITE B, P.O. BOX 1065, RUSSELLVILLE, ARKANSAS 72811

TEL. 479-967-3600 FAX 479-967-2131

Independent Auditors' Report

Board of Directors
Arkansas River Valley Regional Library System:

Opinion

We have audited the accompanying financial statements of the Arkansas River Valley Regional Library which comprise the statements of net position as of December 31, 2021 and 2020 and the related statements of activities and changes in net position and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Arkansas River Valley Regional Library System, as of December 31, 2021 and 2020, and changes in net position and, where applicable, cash flows thereof for the years 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Arkansas River Valley Regional Library System and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Board of Directors
Arkansas River Valley Regional Library System

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 Arkansas River Valley Regional Library System's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 Arkansas River Valley Regional Library 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Arkansas River Valley Regional Library 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.

Board of Directors
Arkansas River Valley Regional Library System

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2023 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

February 13, 2023

Stout, Lahr & Cramer, P.A.

ARKANSAS RIVER VALLEY REGIONAL LIBRARY SYSTEM

Statements of Net Position

December 31, 2021 and 2020

	<u>Assets</u>	
	<u>2021</u>	<u>2020</u>
Current assets:		
Cash	\$ 344,769	300,225
County taxes receivable	147,262	70,017
Receivable from county	4,290	15,125
Prepaid services	58,244	43,650
Prepaid insurance	4,640	4,335
Total current assets	<u>559,205</u>	<u>433,352</u>
Equipment	294,848	82,284
Less accumulated depreciation	<u>65,901</u>	<u>52,017</u>
Net equipment	<u>228,947</u>	<u>30,267</u>
	<u>\$ 788,152</u>	<u>463,619</u>
	<u>Liabilities and Net Position</u>	
Current liabilities:		
Accounts payable	70,914	22,068
Payroll taxes payable	<u>2,747</u>	<u>2,938</u>
Total current liabilities	<u>73,661</u>	<u>25,006</u>
Net position:		
Unrestricted:		
Designated for purchase of equipment	26,386	28,949
Undesignated	<u>688,105</u>	<u>409,664</u>
Total net position	<u>714,491</u>	<u>438,613</u>
	<u>\$ 788,152</u>	<u>463,619</u>

ARKANSAS RIVER VALLEY REGIONAL LIBRARY SYSTEM

Statements of Activities and Changes in Net Position

Years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Support and revenue:		
Support:		
State aid assistance	\$ 188,784	188,725
Grants	311,123	-
County and city	271,760	276,738
Contributions and other	145	5,448
Total support	<u>771,812</u>	<u>470,911</u>
Revenue:		
Interest income	202	287
Lost book charge	-	49
Total revenue	<u>202</u>	<u>336</u>
Total support and revenues	<u>772,014</u>	<u>471,247</u>
Expenses:		
Books purchased	-	3,711
Magazines, audio visual, paperbacks and microfilm	8,045	9,218
Materials - databases	43,497	60,599
OCLC expense, net	-	23,644
Vehicle expenses	4,725	3,478
Salaries	145,785	143,733
Payroll taxes and fringe benefits	44,440	39,424
Professional services	12,428	36,703
Travel and staff development	9,573	8,691
Automation	108,815	61,034
Depreciation	15,404	8,566
Equipment rental	5,695	3,995
Postage, telephone and telecommunications	14,550	8,450
Insurance	9,241	8,254
Book supplies	1,972	2,981
Office supplies	15,742	12,385
Building maintenance	691	4,775
Miscellaneous	55,533	23,519
Total expenses	<u>496,136</u>	<u>463,160</u>
Change in net position	275,878	8,087
Net position, beginning of year	<u>438,613</u>	<u>430,526</u>
Net position, end of year	<u>\$ 714,491</u>	<u>438,613</u>

ARKANSAS RIVER VALLEY REGIONAL LIBRARY SYSTEM

Statements of Cash Flows

Years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Support received	\$ 694,567	517,334
Revenue collected	202	336
Payments for expenses:		
Compensation and related expenses	(190,225)	(183,157)
Vendors for goods and services	<u>(245,916)</u>	<u>(265,577)</u>
Cash flows provided by operating activities	<u>258,628</u>	<u>68,936</u>
Cash flows from investing activities:		
Purchase of equipment	<u>(214,084)</u>	<u>(13,798)</u>
Cash flows used by investing activities	<u>(214,084)</u>	<u>(13,798)</u>
Net increase in cash	44,544	55,138
Cash at beginning of year	<u>300,225</u>	<u>245,087</u>
Cash at end of year	<u>\$ 344,769</u>	<u>300,225</u>
Reconciliation of change in net position to cash provided by operating activities:		
Change in net position	\$ 275,878	8,087
Adjustments to reconcile excess of support and revenue over expenses to cash provided by operating activities:		
Depreciation	15,404	8,566
Change in assets and liabilities:		
Decrease (increase) in county taxes receivable	(77,245)	46,423
Decrease (increase) in accounts receivable	10,835	(4,966)
Decrease (increase) in prepaid services	(14,594)	4,710
Increase in prepaid insurance	(305)	(228)
Increase in accounts payable	48,846	7,712
Decrease in payroll taxes payable	<u>(191)</u>	<u>(1,368)</u>
Total adjustments	<u>(17,250)</u>	<u>60,849</u>
Net cash provided by operating activities	<u>\$ 258,628</u>	<u>68,936</u>

ARKANSAS RIVER VALLEY REGIONAL LIBRARY SYSTEM

Notes to Financial Statements

December 31, 2021 and 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

(a) Nature of Operations

Arkansas River Valley Regional Library is engaged in providing library services in seven public libraries in Franklin, Johnson, Logan and Yell Counties in Arkansas.

(b) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(c) Grants

The Library records income from unrestricted grants in the period in which the grant is received.

(d) Inexhaustible Collections and Books

Because the values of the existing inexhaustible collections, including research books, are not readily determinable, the Library has not capitalized them. Also, because the values of books acquired in each year are not readily determinable at the balance sheet date, the Library has not capitalized them.

(e) Support

The Library records as support monies received from state aid, county and city contributions and other contributions in the year the money is received or collected for use by the counties. The Library receives millage and other contributions from Franklin, Johnson, Logan and Yell Counties in Arkansas. The counties also reimbursed the Library for various services.

(f) Cash

For purposes of the statements of cash flows, the Library defines cash as all demand and time deposits in banks.

ARKANSAS RIVER VALLEY REGIONAL LIBRARY SYSTEM

Notes to Financial Statements, Continued

(g) Depreciation

The cost of equipment is depreciated over the estimated lives of the equipment using the straight-line depreciation method. Useful lives range from 3 to 20 years.

(h) Income Taxes

Arkansas River Valley Regional Library operates under an agreement between four counties in Arkansas and was created under provisions established by the Arkansas General Assembly. It is exempt from income taxes.

(2) EQUIPMENT

Equipment and vehicles are recorded at cost if purchased or fair value if contributed, as follows:

	<u>2021</u>	<u>2020</u>
Equipment and vehicles purchased	\$ 276,865	64,301
Equipment purchased - grant funds	<u>17,983</u>	<u>17,983</u>
	294,848	82,284
Less accumulated depreciation	<u>65,901</u>	<u>52,017</u>
Net equipment and vehicles	<u>\$ 228,947</u>	<u>30,267</u>

The equipment purchased with grant funds may revert to the granting agency if the purpose for which the equipment is to be used is terminated.

(3) UNRESTRICTED NET ASSETS

At December 31, 2021 and 2020, the Library had unrestricted net assets designated by the Board of Directors for purchases of equipment in the amount of \$26,386 and \$28,949, respectively.

(4) RETIREMENT PLAN

The Library contributes to the Arkansas Public Employees Retirement System (APERS) on behalf of full time employees of the Library. During 2021 and 2020, the Library contributed \$19,778 and \$21,744 respectively, to APERS. The contribution is included in fringe benefits and payroll taxes in the accompanying statements of activities and changes in net position.

ARKANSAS RIVER VALLEY REGIONAL LIBRARY SYSTEM

Notes to Financial Statements, Continued

(5) CONCENTRATIONS

The Library maintains its cash accounts at one financial institution. The balances of these accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 as of December 31, 2021. At December 31, 2021, the Library had uninsured cash balances of \$54,254.

In 2021 and 2020, the Library received state aid assistance of \$188,784 and \$188,725 respectively. This aid depends on appropriation by the Arkansas General Assembly and is determined annually.

(6) SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 13, 2023 which is the date the financial statements were available to be issued.

In early 2020 and continuing in 2022, a pandemic broke out that has had major health and economic implications for all entities. Management continues to consider measures to mitigate risks to the Library's patrons and its financial position and operations.

(7) GRANTS RECEIVED

In 2021, the System applied for and received a CARES Act reimbursement for expenses incurred in combating the Coronavirus pandemic. The reimbursement received totaled \$230,388 in 2021. The expenses reimbursed were incurred in 2020 and 2021. The expenditures were made to be able to maintain service to the public in the area served.

The System also received funds totaling \$75,370 from the Federal Institute of Museum and Library Services. The funds are for use in helping communities respond to the pandemic. The funds were authorized by the American Rescue Plan.

A substantial amount of the money provided under the above grants were used in acquiring digital equipment to assist with communication with users of the System's services and to purchase sanitizing equipment and materials.

Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements Performed in accordance with *Government Auditing Standards*

Board of Directors
Arkansas River Valley Regional Library System::

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Arkansas River Valley Regional Library System (the Library), which comprise the statement of net position as December 31, 2021 and the related statements of activities and changes in net position, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated February 13, 2023.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Arkansas River Valley Regional Library System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Arkansas River Valley Regional Library System's 's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control over financial reporting.

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 misstatements on a timely basis. A material deficiency is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Arkansas River Valley Regional Library System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Library's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

February 13, 2023