

ARKANSAS RIVER VALLEY REGIONAL LIBRARY SYSTEM

Independent Auditors' Report

Financial Statements

December 31, 2023 and 2022

# ARKANSAS RIVER VALLEY REGIONAL LIBRARY SYSTEM

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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, 2023 and 2022 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, 2023 and 2022, 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.

August 20, 2024

*Shofstau, Hebl & Company, P.A.*

ARKANSAS RIVER VALLEY REGIONAL LIBRARY SYSTEM

Statements of Net Position

December 31, 2023 and 2022

	<u>Assets</u>	
	<u>2023</u>	<u>2022</u>
<b>Current assets:</b>		
Cash	\$ 535,689	439,976
County taxes receivable	127,490	108,756
Receivable from counties	15,021	1,848
Prepaid services	41,518	56,553
Prepaid insurance	3,275	3,247
Total current assets	<u>722,993</u>	<u>610,380</u>
 Equipment	 281,040	 279,613
Less accumulated depreciation	<u>(177,461)</u>	<u>(115,901)</u>
Net equipment	<u>103,579</u>	<u>163,712</u>
	 <u>\$ 826,572</u>	 <u>774,092</u>
	 <u>Liabilities and Net Position</u>	
<b>Current liabilities:</b>		
Accounts payable	16,942	9,576
Payroll taxes payable	<u>3,594</u>	<u>3,342</u>
Total current liabilities	<u>20,536</u>	<u>12,918</u>
 Net position:		
Unrestricted:		
Designated for purchase of equipment	26,552	26,419
Undesignated	<u>779,484</u>	<u>734,755</u>
Total net position	<u>806,036</u>	<u>761,174</u>
	 <u>\$ 826,572</u>	 <u>774,092</u>

ARKANSAS RIVER VALLEY REGIONAL LIBRARY SYSTEM

Statements of Activities and Changes in Net Position

Years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Support and revenue:		
Support:		
State aid assistance	\$ 193,288	204,156
Grants	-	24,291
County and city	371,720	337,818
Contributions and other	511	882
Total support	<u>565,519</u>	<u>567,147</u>
Revenue:		
Interest income	2,208	675
Total revenue	<u>2,208</u>	<u>675</u>
Total support and revenues	<u>567,727</u>	<u>567,822</u>
Expenses:		
Magazines, audio visual, paperbacks and microfilm	2,784	3,529
Materials - databases	70,386	52,764
Technology	13,678	20,692
Vehicle expenses	11,138	9,122
Salaries	176,696	156,281
Payroll taxes and fringe benefits	54,858	49,529
Professional services	6,370	5,600
Travel and staff development	14,661	10,131
Automation	68,288	72,555
Depreciation	63,855	67,739
Equipment rental	5,477	8,300
Postage, telephone and telecommunications	4,829	8,652
Insurance	7,473	8,851
Book supplies	3,603	3,141
Office supplies	2,095	4,583
Building maintenance	-	250
Miscellaneous	16,674	39,420
Total expenses	<u>522,865</u>	<u>521,139</u>
Change in net position	44,862	46,683
Net position, beginning of year	<u>761,174</u>	<u>714,491</u>
Net position, end of year	<u>\$ 806,036</u>	<u>761,174</u>

ARKANSAS RIVER VALLEY REGIONAL LIBRARY SYSTEM

Statements of Cash Flows

Years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Support received	\$ 533,612	605,653
Interest collected	2,208	675
Payments for expenses:		
Compensation and related expenses	(231,554)	(205,810)
Vendors for goods and services	(204,602)	(301,258)
Cash flows provided by operating activities	<u>99,664</u>	<u>99,260</u>
Cash flows from investing activities:		
Purchase of equipment	(3,951)	(4,053)
Cash flows used by investing activities	<u>(3,951)</u>	<u>(4,053)</u>
Net increase in cash	95,713	95,207
Cash at beginning of year	<u>439,976</u>	<u>344,769</u>
Cash at end of year	<u>\$ 535,689</u>	<u>439,976</u>
Reconciliation of change in net position to cash provided by operating activities:		
Change in net position	\$ 44,862	46,683
Adjustments to reconcile excess of support and revenue over expenses to cash provided by operating activities:		
Depreciation	63,855	67,739
Change in assets and liabilities:		
Decrease (increase) in county taxes receivable	(18,734)	38,506
Decrease (increase) in accounts receivable	(13,173)	2,442
Decrease in prepaid services	15,035	1,691
Decrease (increase) in prepaid insurance	(28)	1,393
Loss on assets disposed	229	1,549
Increase (decrease) in accounts payable	7,366	(61,338)
Increase in payroll taxes payable	252	595
Total adjustments	<u>54,802</u>	<u>52,577</u>
Net cash provided by operating activities	<u>\$ 99,664</u>	<u>99,260</u>

ARKANSAS RIVER VALLEY REGIONAL LIBRARY SYSTEM

Notes to Financial Statements

December 31, 2023 and 2022

(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 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>2023</u>	<u>2022</u>
Equipment and vehicles purchased	\$ 263,057	261,630
Equipment purchased - grant funds	<u>17,983</u>	<u>17,983</u>
	281,040	279,613
Less accumulated depreciation	<u>177,461</u>	<u>115,901</u>
Net equipment and vehicles	<u>\$ 103,579</u>	<u>163,712</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, 2023 and 2022, the Library had unrestricted net assets designated by the Board of Directors for purchases of equipment in the amount of \$26,552 and \$26,419, 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 2023 and 2022, the Library contributed \$24,924 and \$21,568 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, 2023. At December 31, 2023, the Library had uninsured cash balances of \$244,914.

In 2023 and 2022, the Library received state aid assistance of \$193,288 and \$204,156 respectively. This aid depends on appropriation by the Arkansas General Assembly and is determined annually.

(6) SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 20, 2024 which is the date the financial statements were available to be issued.