

FORV/S

DRAFT
9/19/2022

Kansas City Public Library

**Report to the Finance and Audit Committee and the
Board of Trustees
October __, 2022**

Results of the 2022 financial statement audit and other required
communications

FORVIS

Contents: 2022 Audit Results

Summary of Our Audit Approach & Results	2
Opinions	2
Requirements Under OMB Uniform Guidance	3
Condensed Statements of Net Position	4
Condensed Statements of Activities	5
Required Communications	6

Appendix

Management Representation Letter & Schedule of Uncorrected Misstatements

DRAFT

9/19/2022

October __, 2022

Finance and Audit Committee,
Board of Trustees and Management
Kansas City Public Library
Kansas City, Missouri

Dear Board of Trustees:

We have completed our audit of the financial statements of Kansas City Public Library as of and for the year ended June 30, 2022. This report includes communication required under auditing standards generally accepted in the United States of America as well as other matters.

Our audit plan represented an approach responsive to the assessment of risk of material misstatement in financial reporting for Kansas City Public Library. Specifically, auditing standards require us to:

- Express an opinion on the June 30, 2022, financial statements of Kansas City Public Library.
- Report on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*.
- Report on compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance in accordance with OMB Uniform Guidance.
- Issue communications required under auditing standards generally accepted in the United States of America to assist the board in overseeing management's financial reporting and disclosure process.

This report also presents an overview of areas of audit emphasis, as well as future accounting standards and industry developments for the governmental environment.

This communication is intended solely for the information and use of management, the finance and audit committee, the board of trustees and others within Kansas City Public Library and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Kieth McGovern
Partner

Summary of Our Audit Approach & Results

Our Approach

The FORVIS audit approach focuses on areas of higher risk—the unique characteristics of Kansas City Public Library's (the Library) operating environment, the design effectiveness of your internal controls and your financial statement amounts and disclosures. The objective is to express an opinion on the conformity of your financial statements, in all material respects, with accounting principles generally accepted in the United States of America.

We worked with you to develop an audit plan tailored to your specific circumstances and risks.

Areas of Audit Emphasis

The principal areas of audit emphasis and results were as follows:

Risk Area	Results
Management override of controls – The risk that management may override existing and functioning accounting controls is an inherent risk to the Library.	<ul style="list-style-type: none">• No matters are reportable
Improper revenue recognition – The risk that revenue is improperly categorized or recorded in improper period on both the statement of net position and balance sheet of the governmental funds.	<ul style="list-style-type: none">• No matters are reportable
Existence and valuation of property tax receivable	<ul style="list-style-type: none">• No matters are reportable.

Opinions

Unmodified, or “Clean,” Opinions Issued on Financial Statements

We have issued unmodified opinions as to whether the financial statements of Kansas City Public Library, as of and for the year ended June 30, 2022, are fairly presented, in all material respects.

Our communication of the result of these evaluations has been provided to you, in the form of our draft auditor's report, which you have reviewed.

Requirements Under OMB Uniform Guidance

Our audit included reporting on major federal award programs and includes:

- Schedule of Expenditures of Federal Awards
- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*
- Report on Compliance for Each Major Program and on Internal Control Over Compliance
- Schedule of Findings and Questioned Costs
- Data Collection Form

DRAFT
9/19/2022



Condensed Statements of Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets						
Deposits and investments	\$ 20,564,837	\$ 18,227,421	\$ 412,524	\$ 270,299	\$ 20,977,361	\$ 18,497,720
Receivables, net	2,924,657	3,100,577	43,078	11,208	2,967,735	3,111,785
Restricted deposits and investments	8,257,975	5,982,217	-	-	8,257,975	5,982,217
Capital assets	45,745,762	47,577,598	3,917,446	3,999,762	49,663,208	51,577,360
Total assets	77,751,918	74,887,813	4,373,048	4,281,269	82,124,966	79,169,082
Deferred Outflows of Resources - Pension	923,962	1,010,537	-	-	923,962	1,010,537
Total assets and deferred outflows of resources	<u>\$ 78,675,880</u>	<u>\$ 75,898,350</u>	<u>\$ 4,373,048</u>	<u>\$ 4,281,269</u>	<u>\$ 83,048,928</u>	<u>\$ 80,179,619</u>
Liabilities						
Accounts payable and accrued expenses	\$ 4,084,743	\$ 2,969,091	\$ -	\$ -	\$ 4,084,743	\$ 2,969,091
Lease payable	1,630,000	2,135,000	-	-	1,630,000	2,135,000
Retirement system contribution	5,126	31,037	-	-	5,126	31,037
Net pension liability	9,811,369	12,015,176	-	-	9,811,369	12,015,176
Unearned revenue	9,531,052	9,661,839	-	-	9,531,052	9,661,839
Total liabilities	25,062,290	26,812,143	-	-	25,062,290	26,812,143
Deferred Inflows of Resources - Pension	2,615,883	1,404,104	-	-	2,615,883	1,404,104
Total liabilities and deferred inflows of resources	<u>27,678,173</u>	<u>28,216,247</u>	<u>-</u>	<u>-</u>	<u>27,678,173</u>	<u>28,216,247</u>
Net Position						
Net investment in capital assets	34,604,340	35,809,234	3,917,446	3,999,762	38,521,786	39,808,996
Unrestricted net position	8,207,972	5,942,494	455,602	281,507	8,663,574	6,224,001
Restricted net position	8,185,395	5,930,375	-	-	8,185,395	5,930,375
Total net position	<u>50,997,707</u>	<u>47,682,103</u>	<u>4,373,048</u>	<u>4,281,269</u>	<u>55,370,755</u>	<u>51,963,372</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 78,675,880</u>	<u>\$ 75,898,350</u>	<u>\$ 4,373,048</u>	<u>\$ 4,281,269</u>	<u>\$ 83,048,928</u>	<u>\$ 80,179,619</u>

NOTE: These represent the government-wide financial statements of the Library. See full set of financial statements in the Annual Financial Report for complete financial reporting.

Condensed Statements of Activities

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues, Gains and Other Support						
Program revenues	\$ 4,535,426	\$ 2,678,500	\$ 513,016	\$ 331,825	\$ 5,048,442	\$ 3,010,325
Property taxes, levied for general purpose	25,613,331	23,218,393	-	-	25,613,331	23,218,393
Unrestricted investment earnings	(543,829)	866,110	-	-	(543,829)	866,110
Other	34,285	149,781	-	-	34,285	149,781
Total revenues, gains and other support	29,639,213	26,912,784	513,016	331,825	30,152,229	27,244,609
Expenses and Losses						
Program expenses	26,282,617	23,738,860	421,237	382,176	26,703,854	24,121,036
Interest expense	40,992	50,592	-	-	40,992	50,592
Total expenses and losses	26,323,609	23,789,452	421,237	382,176	26,744,846	24,171,628
Interfund Transfers	-	57,500	-	(57,500)	-	-
Change in Net Position	3,315,604	3,180,832	91,779	(107,851)	3,407,383	3,072,981
Net Position, Beginning of Year	47,682,103	44,501,271	4,281,269	4,389,120	51,963,372	48,890,391
Net Position, End of Year	\$ 50,997,707	\$ 47,682,103	\$ 4,373,048	\$ 4,281,269	\$ 55,370,755	\$ 51,963,372

NOTE: These represent the government-wide financial statements of the Library. See full set of financial statements in the Annual Financial Report for complete financial reporting.

Required Communications

Generally accepted auditing standards require the auditor to provide to those charged with governance additional information regarding the scope and results of the audit that may assist you in overseeing management's financial reporting and disclosure process. Below, we summarize these required communications.

Auditor's Responsibilities Under Auditing Standards Generally Accepted in the United States of America (GAAS) and the Standards Applicable to Financial Audits Contained in *Government Auditing Standards* Issued by the Comptroller General of the United States and U.S. Office of Management and Budget (OMB) Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)

An audit performed 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 and U.S. Office of Management and Budget (OMB) Uniform Guidance is designed to obtain reasonable, rather than absolute, assurance about the financial statements and about whether noncompliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on a major federal program occurred. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this communication or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

Area	Comments
<p>Significant Accounting Policies</p> <p>Significant accounting policies are described in <i>Note 1</i> of the financial statements.</p>	<p>With respect to new accounting standards adopted during the year, unusual accounting policies or accounting methods used by the Library for unusual transactions, we call to your attention the following topics:</p> <ul style="list-style-type: none"> Effective July 1, 2021, the Entity adopted GASB 87, <i>Leases</i>. GASB 87 creates one model for recognizing leases for both lessees and lessors. Substantially all leases are recognized on the lessees' statement of net position. In the activity statement, lessees no longer report rent expense for the previously classified operating leases but instead report interest expense on the liability and amortization expense related to the asset. Lessors recognize a lease receivable and corresponding deferred inflow of resources. Interest income associated with the receivable are recognized using the effective interest method. Adoption of GASB 87 required significant time to identify a complete list of lease contracts for consideration of adoption and measure the lease assets and liabilities for recognition. In addition, due to adoption of the standard, the Entity's key performance indicators related to the statement of net position (such as the current ratio) are likely not comparable to historical results.
<p>Alternative Accounting Treatments</p> <p>We had discussions with management regarding alternative accounting treatments within accounting principles generally accepted in the United States of America for policies and practices for material items, including recognition, measurement and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, listed in the adjacent comments section.</p>	<ul style="list-style-type: none"> No matters are reportable

Area	Comments
<p>Management Judgments & Accounting Estimates</p> <p>Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. Areas involving significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates are listed in the adjacent comments section.</p>	<p>We evaluated the adequacy of the following estimates:</p> <ul style="list-style-type: none"> • Property tax receivable, including the allowance for uncollectible taxes • Net pension liability and related deferred inflows/outflows of resources • Postemployment benefits other than pensions (<i>see proposed audit adjustments not recorded section</i>)
<p>Financial Statement Disclosures</p> <p>The areas listed in the adjacent comments section involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures.</p>	<ul style="list-style-type: none"> • Note 11 – <i>Disclosures About Fair Value of Assets and Liabilities</i> • Note 12 – <i>Tax Abatements</i>
<p>Significant Unusual Transactions</p> <p>Significant unusual transactions represent significant transactions that are outside the normal course of business for the entity or that otherwise appear to be unusual due to their timing, size, or nature.</p>	<p>We have identified the following transactions that we consider to be significant and unusual:</p> <ul style="list-style-type: none"> • No matters are reportable

Area	Comments
<p>Audit Adjustments</p> <p>During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments that, in its judgment, are required to prevent the financial statements from being materially misstated.</p> <p>Some adjustments proposed were not recorded because their aggregate effect is not currently material. We would like to call your attention to the fact that although these uncorrected misstatements, individually and in the aggregate, were deemed to be immaterial to the current-year financial statements, it is possible that the impact of these uncorrected misstatements, or matters underlying these uncorrected misstatements, could potentially cause future-period financial statements to be materially misstated.</p>	<p>Areas in which adjustments were proposed include:</p> <p><u>Proposed Audit Adjustments Recorded</u></p> <ul style="list-style-type: none"> No matters are reportable <p><u>Proposed Audit Adjustments Not Recorded</u></p> <ul style="list-style-type: none"> Entry to record postemployment benefits other than pensions - \$648,526 Prior year turnaround impact to record postemployment benefits other than pensions - \$646,987
<p>Auditor's Judgments About the Quality of Kansas City Public Library's Accounting Policies</p> <p>During the course of the audit, we made observations regarding Kansas City Public Library's application of accounting principles listed in the adjacent comments section.</p>	<ul style="list-style-type: none"> The adoption of GASB 87, <i>Leases</i>

Area	Comments
<p>Other Information in Documents Containing Audited Financial Statements</p> <p>The audited financial statements are included in Kansas City Public Library's annual report. Management, or those charged with governance, is responsible for preparing the annual report. We were not engaged to audit the information contained in the annual report, and as a result, our opinion does not provide assurance as to the completeness and accuracy of the information contained therein. Instead, our objectives with regard to such information were to read the entire report to determine if financial information discussed in sections outside the financial statements materially contradicts the audited financial statements. If we identify any such matters, we bring them to management's attention and review subsequent revisions.</p>	<ul style="list-style-type: none"> No matters are reportable
<p>Disagreements with Management</p> <p>Certain matters, listed in the adjacent comments section, involved disagreements which if not satisfactorily resolved would have caused a modified auditor's opinion on the financial statements.</p>	<ul style="list-style-type: none"> No matters are reportable
<p>Consultation with Individuals Outside of the Engagement Team</p> <p>During our audit, we encountered the matters listed in the adjacent comments section for which we consulted the views of individuals outside of the engagement team.</p>	<ul style="list-style-type: none"> No matters are reportable
<p>Consultation with Other Accountants</p> <p>During our audit, we became aware that management had consulted with other accountants about auditing or accounting matters listed in the adjacent comments section.</p>	<ul style="list-style-type: none"> No matters are reportable

Area	Comments
<p>Significant Issues Discussed with Management</p> <p><u>Prior to Retention</u></p> <p>During our discussion with management prior to our engagement, issues regarding application of accounting principles or auditing standards were discussed and are listed in the adjacent comments section.</p> <p><u>During the Audit Process</u></p> <p>During the audit process, issues were discussed or were the subject of correspondence with management and are listed in the adjacent comments section.</p>	<ul style="list-style-type: none"> • Adoption of GASB 87, <i>Leases</i> • No matters are reportable
<p>Difficulties Encountered in Performing the Audit</p> <p>Our audit requires cooperative effort between management and the audit team. During our audit, we found significant difficulties in working effectively on the matters listed in the adjacent comments section.</p>	<ul style="list-style-type: none"> • Turnover of accounting team at the Library resulted in delays to the receipt of audit schedules and posting of multiple journal entries
<p>Significant Related-Party Findings</p> <p>We would like to communicate the significant findings or issues that arose during our audit related to the Company's related-party activity, listed in the adjacent comments section.</p>	<ul style="list-style-type: none"> • No matters are reportable

Other Material Communications

Other material communications between management and us related to the audit include:

- Management representation letter & schedule of uncorrected misstatements (*Tab 1*)
- Engagement letter
- We orally communicated to management other deficiencies in internal control identified during our audit that are not considered material weaknesses or significant deficiencies

This communication is intended solely for the information and use of management, the finance and audit committee, the board of trustees, and others within the Library and is not intended to be and should not be used by anyone other than these specified parties.

Kansas City, Missouri
October __, 2022

DRAFT
9/19/2022



DRAFT
9/19/2022