

**MANHATTAN PUBLIC LIBRARY**

Manhattan, Kansas

**FINANCIAL STATEMENTS**

**AND**

**INDEPENDENT AUDITOR'S REPORT**

For the Year Ended December 31, 2018

VARNEY & ASSOCIATES, CPAs, LLC  
Manhattan, Kansas

**MANHATTAN PUBLIC LIBRARY**

Manhattan, Kansas

As of December 31, 2018

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**MANHATTAN PUBLIC LIBRARY**  
Manhattan, Kansas  
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As of December 31, 2018

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June 14, 2019

To the Board of Trustees of the  
Manhattan Public Library  
Manhattan, Kansas

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Manhattan Public Library (the Library), as of and for the year ended December 31, 2018 and the related notes to the financial statements which collectively comprise the Library's basic financial statements as listed in the table of contents.

### 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.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. 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 statements 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Manhattan Public Library, as of December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

June 14, 2019  
Manhattan Public Library  
(continued)

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 4 and the KPERS pension plan schedule as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Vannoy & Associates CPAs LLC*

Certified Public Accountants  
Manhattan, Kansas

**MANHATTAN PUBLIC LIBRARY**  
 Manhattan, Kansas  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
 December 31, 2018

**Management Discussion and Analysis**

**General Information**

This annual report consists of two parts – management’s discussion and analysis (this section), and the basic financial statements. The basic financial statements include information that present two different views of the Libraries System:

The Statement of Net Position and Statement of Activities are the *government-wide financial statements*. They provide information about the activities of the Library as a whole and present a longer-term view of the Library’s finances.

The Balance Sheet and Statement of Revenue, Expenditures, and Changes in Fund Balance are the *fund financial statements*. These statements focus on current financial resources and provide a more detailed view about the accountability of the Library’s sources and uses of funds for all governmental funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Throughout this discussion and analysis, financial figures have been rounded to the nearest \$1,000 unit.

**Financial Analysis of the Library as a Whole**

The Library’s government-wide net position increased by \$506,000 during the year ended December 31, 2018 and maintained a composition of assets, liabilities, deferred inflows and net position which is consistent and comparable with 2017 levels as follows:

	<b>2018</b>	<b>%</b>	<b>2017</b>	<b>%</b>
<b>Assets and Deferred Outflows</b>				
Current assets	\$ 4,993,000	83%	\$ 4,709,000	84%
Capital assets - Net	846,000	14%	659,000	12%
Deferred outflows	208,000	3%	254,000	5%
<b>Total Assets and Deferred Outflows</b>	<b>\$ 6,047,000</b>	<b>100%</b>	<b>\$ 5,622,000</b>	<b>100%</b>
<b>Liabilities and Deferred Inflows</b>				
Current liabilities	\$ 117,000	2%	\$ 105,000	2%
Long-term liabilities	1,671,000	28%	1,743,000	31%
Deferred inflows	3,412,000	56%	3,304,000	59%
<b>Total Liabilities and Deferred Inflows</b>	<b>\$ 5,200,000</b>	<b>86%</b>	<b>\$ 5,152,000</b>	<b>92%</b>
<b>Net Position</b>				
Investment in capital assets	\$ 769,000	13%	\$ 557,000	10%
Unrestricted	78,000	1%	(87,000)	-2%
<b>Total Net Position</b>	<b>\$ 847,000</b>	<b>14%</b>	<b>\$ 470,000</b>	<b>8%</b>
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<b>\$ 6,047,000</b>	<b>100%</b>	<b>\$ 5,622,000</b>	<b>100%</b>

The Library’s financial position is significantly impacted by GSAB 68 which requires recognition of a net pension liability related to the Library’s participation in the KPERS pension plan, which is operated by the State of Kansas at an unfunded level. As a result, the Library’s unrestricted net position is reported at a deficit balance for 2017.

**MANHATTAN PUBLIC LIBRARY**  
Manhattan, Kansas  
**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**  
December 31, 2018

**Management Discussion and Analysis**

**Financial Analysis of the Library as a Whole (Continued)**

<b>Revenue</b>	<b>2018</b>	<b>%</b>	<b>2017</b>	<b>%</b>
Program revenues	\$ 606,000	17%	\$ 424,000	12%
General revenues	3,043,000	83%	3,003,000	88%
<b>Total Revenue</b>	<b>\$ 3,649,000</b>	<b>100%</b>	<b>\$ 3,427,000</b>	<b>100%</b>
<b>Expenses</b>	<b>3,273,000</b>	<b>90%</b>	<b>3,186,000</b>	<b>93%</b>
<b>Change in Net Position</b>	<b>\$ 376,000</b>	<b>10%</b>	<b>\$ 241,000</b>	<b>7%</b>

**Financial Analysis of Funds within the Library**

The Library operates a series of funds of which the General Fund and Employee Benefit Fund are financed primarily through property taxes levied by the City of Manhattan, Kansas each year. The remaining funds are financed primarily through gifts, grants and charges for service.

The General Fund experienced a \$9,000 decrease in fund balance during 2018. The end of year fund balance of \$70,000, which consists primarily of prepaid expenses, is carried over and made available for future years. The General Fund was operated within budgeted limits for 2018.

The Employee Benefits Fund experienced an \$32,000 increase in fund balance during 2018 and has a remaining \$281,000 fund balance which is carried over and available for 2019 operations. The Employee Benefits Fund was operated within budgeted limits for 2018 having expended \$40,000 less than what was budgeted.

The Endowment fund operated with a \$549,000 ending fund balance which is carried over and made available to future years. The Capital Improvement Fund had no expenditures and received \$138,000 of transfer from the General and Other Governmental Funds. Other governmental funds operated with a \$255,000 ending fund balance which is carried over to 2019.

**Factors Bearing on the Future of the Library**

At the time that these financial statements were prepared and audited, the Library was aware of the following items that could have significant impact on its finances in the future:

- Debt service repayment of \$1,225,000 to the City of Manhattan for the bond on the 2014 building expansion began in 2018 and is estimated to be \$131,000 a year through 2027.
- The Library bears the net pension liability for its own employees and the employees of North Central Kansas Libraries System.
- Continued low interest rates will have a negative impact on future revenue derived from investment of idle funds.
- The Library continues to closely monitor external factors such as (1) the costs of facilities, (2) medical insurance, (3) other employee benefit costs, and (4) third-party service charges. Currently, there are no known factors which would be expected to cause significant fluctuations in operating costs in the near term.

**Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Library's finances and to demonstrate accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Manhattan Public Library  
629 Poyntz Avenue  
Manhattan, KS 66502

**MANHATTAN PUBLIC LIBRARY**  
Manhattan, Kansas  
**STATEMENT OF NET POSITION**  
December 31, 2018

**ASSETS**

**Assets**

Cash and cash equivalents	\$ 1,148,512
Investments	435,714
Taxes receivable	3,335,600
Other receivable	155
Prepaid expense	72,783
Capital assets - Net	845,756
<b>Total Assets</b>	<b>\$ 5,838,520</b>

**Deferred Outflows of Resources**

Resources related to pensions	\$ 207,947
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**Liabilities**

Accounts payable	\$ 10,049
Payroll liabilities	81,205
FCIP Lease - Due within one year	25,471
Compensated absences	99,711
FCIP Lease - Due in more than one year	50,942
Net pension liability	1,519,872
<b>Total Liabilities</b>	<b>\$ 1,787,250</b>

**Deferred Inflows of Resources**

Unavailable intergovernmental revenue	\$ 3,335,600
Resources related to pensions	76,726
<b>Total Deferred Inflows of Resources</b>	<b>\$ 3,412,326</b>

**Net Position**

Net Investment in capital assets	\$ 769,343
Unrestricted	77,548
<b>Total Net Position</b>	<b>\$ 846,891</b>

**Financial Statements**

**MANHATTAN PUBLIC LIBRARY**  
Manhattan, Kansas  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2018

**Expenses**

Library operations	
Personnel services	\$ 2,188,588
Commodities	371,395
Contractual services	482,670
Depreciation	218,123
Miscellaneous	12,183
<b>Total Expenses</b>	<u>\$ 3,272,959</u>

**Program Revenues**

Charges for services	\$ 116,518
Operating grants and contributions	489,917
<b>Total Program Revenues</b>	<u>\$ 606,435</u>

**Net Program Expenses**

\$ (2,666,524)

**General Revenues**

Property taxes, net (see note 11)	\$ 3,021,460
Investment earnings	21,810
<b>Total General Revenues</b>	<u>\$ 3,043,270</u>

**Change in Net Position**

\$ 376,746

**NET POSITION - BEGINNING OF THE YEAR**

470,145

**NET POSITION - END OF THE YEAR**

\$ 846,891

*Financial Statements*

**MANHATTAN PUBLIC LIBRARY**  
Manhattan, Kansas  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
December 31, 2018

	General	Employee Benefit	Endowment	Capital Improvement	Other Governmental Funds	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 9,894	\$ 362,312	\$ 294,195	\$ 410,238	\$ 71,873	\$ 1,148,512
Investments	-	-	255,042	-	180,672	435,714
Taxes receivable	2,687,800	647,800	-	-	-	3,335,600
Other receivable	155	-	-	-	-	155
Prepaid expenses	70,268	-	-	-	2,515	72,783
<b>TOTAL ASSETS</b>	<b>\$ 2,768,117</b>	<b>\$ 1,010,112</b>	<b>\$ 549,237</b>	<b>\$ 410,238</b>	<b>\$ 255,060</b>	<b>\$ 4,992,764</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 10,049	\$ -	\$ -	\$ -	\$ -	\$ 10,049
Payroll liabilities	-	81,205	-	-	-	81,205
<b>TOTAL LIABILITIES</b>	<b>\$ 10,049</b>	<b>\$ 81,205</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 91,254</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - Property taxes	\$ 2,687,800	\$ 647,800	\$ -	\$ -	\$ -	\$ 3,335,600
<b>Fund Balance</b>						
Assigned	\$ -	\$ 281,107	\$ 549,237	\$ 410,238	\$ 255,060	\$ 1,495,642
Unassigned	70,268	-	-	-	-	70,268
<b>Total Fund Balance</b>	<b>\$ 70,268</b>	<b>\$ 281,107</b>	<b>\$ 549,237</b>	<b>\$ 410,238</b>	<b>\$ 255,060</b>	<b>\$ 1,565,910</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>	<b>\$ 2,768,117</b>	<b>\$ 1,010,112</b>	<b>\$ 549,237</b>	<b>\$ 410,238</b>	<b>\$ 255,060</b>	<b>\$ 4,992,764</b>

**Total Fund Balance - Modified Accrual Basis** \$ 1,565,910

Amounts reported in the statement of net position are different because:

Capital outlay is charged to expenditure in the funds but is capitalized and depreciated on the statement of net position	845,756
The balance of compensated absences earned but unused by the employees is reported as a liability on the statement of net position	(99,711)
The total remaining FCIP lease payments are reported as a liability on the statement of net position	(76,413)
The proportionate share of the KPERS net pension liability is reported on the statement of net position	(1,388,651)

**Net Position of Primary Government - Full Accrual Basis** \$ 846,891

The accompanying notes are an integral part of these financial statements.  
See Independent Auditor's Report.

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# *Financial Statements*

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**MANHATTAN PUBLIC LIBRARY**  
Manhattan, Kansas  
**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
For the Year Ended December 31, 2018

	General	Employee Benefit	Endowment	Capital Improvement	Other Governmental Funds	Total
<b>Revenue</b>						
Property taxes, - Net (see note 11)	\$ 2,423,724	\$ 597,736	\$ -	\$ -	\$ -	\$ 3,021,460
Charges for services	-	-	-	-	115,397	115,397
Intergovernmental	-	-	-	-	32,861	32,861
Investment earnings	-	-	5,205	-	16,605	21,810
Gifts and bequests	402	-	456,423	-	231	457,056
Miscellaneous	650	-	-	-	471	1,121
<b>Total Revenue</b>	<b>\$ 2,424,776</b>	<b>\$ 597,736</b>	<b>\$ 461,628</b>	<b>\$ -</b>	<b>\$ 165,565</b>	<b>\$ 3,649,705</b>
<b>Expenditures</b>						
Personnel services	\$ 1,646,761	\$ 565,766	\$ -	\$ -	\$ -	\$ 2,212,527
Commodities	265,662	-	50,073	-	55,660	371,395
Contractual services	367,686	-	56,732	-	37,307	461,725
Capital outlay	65,996	-	307,559	-	78,029	451,584
Miscellaneous	-	-	12,183	-	-	12,183
<b>Total Expenditures</b>	<b>\$ 2,346,105</b>	<b>\$ 565,766</b>	<b>\$ 426,547</b>	<b>\$ -</b>	<b>\$ 170,996</b>	<b>\$ 3,509,414</b>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	<b>\$ 78,671</b>	<b>\$ 31,970</b>	<b>\$ 35,081</b>	<b>\$ -</b>	<b>\$ (5,431)</b>	<b>\$ 140,291</b>
<b>Other financing sources (uses)</b>						
Transfers in	\$ -	\$ -	\$ -	\$ 138,021	\$ -	\$ 138,021
Transfers out	(88,021)	-	-	-	(50,000)	(138,021)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (88,021)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 138,021</b>	<b>\$ (50,000)</b>	<b>\$ -</b>

(Continued)

The accompanying notes are an integral part of these financial statements.  
See Independent Auditor's Report.

***Financial Statements***

**MANHATTAN PUBLIC LIBRARY**  
Manhattan, Kansas  
**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)**  
For the Year Ended December 31, 2018

	<u>General Fund</u>	<u>Employee Benefit Fund</u>	<u>Endowment Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Net Change in Fund Balance</b>	\$ (9,350)	\$ 31,970	\$ 35,081	\$ 138,021	\$ (55,431)	\$ 140,291
<b>FUND BALANCE - BEGINNING OF THE YEAR</b>	79,618	249,137	514,156	272,217	310,491	1,425,619
<b>FUND BALANCE - END OF THE YEAR</b>	<u>\$ 70,268</u>	<u>\$ 281,107</u>	<u>\$ 549,237</u>	<u>\$ 410,238</u>	<u>\$ 255,060</u>	<u>\$ 1,565,910</u>
<b>Net Change in Fund Balances - Modified Accrual Basis</b>						\$ 140,291
Amounts reported in the statement of activities are different because:						
Capital outlays are reported as expenditures in the funds but are recorded as capital assets with an annual charge to depreciation expense at the government wide reporting level						
Capital outlay						405,168
Depreciation						(218,123)
Loss on Disposals						-
Changes in the liability for compensated absence are reported as adjustments to expense at the government wide reporting level but are not reported in the funds						
						(1,654)
Payment on FCIP liability is reported as expenditure in the statement of revenues, expenditures and changes in fund balance; in the statement of activities, it is recorded as a decrease in a liability						
						25,471
Participation in the KPERS pension plan is reported in the funds when contributions are paid but are reported as part of the change in the net pension liability at the government wide reporting level						
						<u>25,593</u>
<b>Change in Net Position of Primary Government - Full Accrual Basis</b>						<u>\$ 376,746</u>

The accompanying notes are an integral part of these financial statements.  
See Independent Auditor's Report.

***Financial Statements***

**MANHATTAN PUBLIC LIBRARY**  
 Manhattan, Kansas  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)**  
 For the Year Ended December 31, 2018

	GENERAL FUND			SPECIAL REVENUE FUND EMPLOYEE BENEFIT		
	Budget	Actual	Favorable (Unfavorable) Variance	Budget	Actual	Favorable (Unfavorable) Variance
<b>REVENUE</b>						
Appropriation from the City of Manhattan, Kansas	\$ 2,596,000	\$ 2,423,724	\$ (172,276)	\$ 606,150	\$ 597,736	\$ (8,414)
Gifts and bequests	-	402	402	-	-	-
Miscellaneous	-	650	650	-	-	-
<b>Total Revenues</b>	<u>\$ 2,596,000</u>	<u>\$ 2,424,776</u>	<u>\$ (171,224)</u>	<u>\$ 606,150</u>	<u>\$ 597,736</u>	<u>\$ (8,414)</u>
<b>EXPENDITURES</b>						
Personnel services	\$ 1,700,000	\$ 1,646,761	\$ 53,239	\$ 606,150	\$ 565,766	\$ 40,384
Commodities	349,000	266,735	82,265	-	-	-
Contractual services	347,000	367,686	(20,686)	-	-	-
Capital outlay	150,000	65,996	84,004	-	-	-
Transfer to capital improvement fund	50,000	88,021	(38,021)	-	-	-
<b>Total Expenditures</b>	<u>\$ 2,596,000</u>	<u>\$ 2,435,199</u>	<u>\$ 160,801</u>	<u>\$ 606,150</u>	<u>\$ 565,766</u>	<u>\$ 40,384</u>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	<u>\$ -</u>	<u>\$ (10,423)</u>	<u>\$ (10,423)</u>	<u>\$ -</u>	<u>\$ 31,970</u>	<u>\$ 31,970</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>		<u>10,423</u>			<u>249,137</u>	
<b>FUND BALANCE - END OF YEAR</b>		\$ -			\$ 281,107	
<b>ADJUSTMENTS TO GAAP - ENCUMBRANCES</b>		-			-	
<b>ADJUSTMENTS TO GAAP - PREPAID EXPENSE</b>		<u>70,268</u>			<u>-</u>	
<b>FUND BALANCE - GAAP BASIS</b>		<u>\$ 70,268</u>			<u>\$ 281,107</u>	

The accompanying notes are an integral part of these financial statements.  
 See Independent Auditor's Report.

*Financial Statements*

**MANHATTAN PUBLIC LIBRARY**  
Manhattan, Kansas  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018

**Notes to Financial Statements**

**Note 1: Summary of Significant Accounting Policies**

***Reporting Entity***

The Manhattan Public Library (the Library) is a component unit of the City of Manhattan, Kansas and is governed by an appointed board. The Library is primarily funded through a tax levy, fines and fees, and charitable donations. Revenue is used to operate and staff the Library. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity.

The financial reporting entity of the Library is comprised of itself as the primary government and any component units. Component units of the governmental entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading or incomplete. Based on the application of the criteria above, there are no component units.

***Measurement Focus, Basis of Accounting and Financial Statement Presentation***

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major funds).

***Government-Wide Financial Statements***

The government-wide financial statements (i.e. the statement of net position and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. For the most part, the effect of interfund activity has been removed from the statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net position includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts: invested in capital assets; restricted net assets; and unrestricted net assets.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to library patrons who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues and are reported instead as general revenue.

**MANHATTAN PUBLIC LIBRARY**  
Manhattan, Kansas  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2018

**Notes to Financial Statements**

**Note 1: Summary of Significant Accounting Policies (Continued)**

***Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)***

**Fund Financial Statements**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

The Library reports the following major governmental funds:

The General Fund is the Library's primary operating fund. It accounts for all financial resources of the Library, except those required to be accounted for in another fund.

The Employee Benefit Fund is a special revenue fund used to account for employee benefits of the Library.

The Endowment Fund is a special revenue fund used to account for certain contributions and gifts made to the Library.

The Capital Improvement Fund is a special revenue fund used to account for resources of the Library which are intended to be used exclusively for capital outlay expenditures.

The Library also has the following non-major funds:

The Grants, Fines, Fees and Interest Fund is a special revenue fund used to account for and report the grants, fines, fees and interest earned by the Library.

***Budgetary Information***

Kansas statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Prior to July 1, the Librarian submits to the Board of Trustees a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Library presents the budget to the City of Manhattan for guidance. Once approved by the Library Board, it is included in the City budget that is legally enacted prior to August 25.
3. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
4. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles except that encumbrances are shown as expenditures. Budgetary comparisons for the General and Special Revenue Funds are presented as required by the State of Kansas; that is, including encumbrances as expenditures.

**MANHATTAN PUBLIC LIBRARY**  
Manhattan, Kansas  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2018

**Notes to Financial Statements**

**Note 1: Summary of Significant Accounting Policies (Continued)**

***Bank Deposits and Investments***

The Library has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments of three months or less when acquired. Investments are stated at fair value.

***Capital Assets***

Capital assets are defined by the Library as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at cost. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Works of art	Not Depreciated
Leasehold improvements	10 - 40 years
Furniture and equipment	5 - 10 years

***Compensated Absences***

It is the Library's policy to permit employees to accumulate earned but unused sick and vacation benefits. There is no liability for unpaid accumulated sick leave since the Library does not have a policy to pay any amounts when employees separate from service with the Library. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund - General Fund only for employee terminations as of year-end.

***Fund Balances***

The Library elected to implement GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, in calendar year 2011. In the fund financial statements, governmental funds report the following classifications of fund balance:

- Assigned - includes amounts that the Library intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. According to the Library's policy, amounts may be assigned by the Director under the authorization of the Library's Board of Trustees.
- Unassigned - includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Library considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Library considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Library's Board of Trustees has provided otherwise in its commitment or assignment actions.

***Net Assets***

Net assets restricted for purchase of materials are restricted for library collection materials, programming and equipment as allowed by the individual grant documents or contributors. Net assets restricted for employee benefits are to pay wages and benefits.

The Library's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**MANHATTAN PUBLIC LIBRARY**  
 Manhattan, Kansas  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
 December 31, 2018

**Note 2: Deposits and Investments**

As of December 31, 2018, the Library had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less than 1</u>	<u>1 - 2</u>
Certificates of deposit	\$ 435,714	\$ 435,714	\$ -

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

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

*Concentration of credit risk* - State statutes place no limit on the amount the Library 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 Library's deposits may not be returned to it. State statutes require the Library'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.

*Custodial credit risk - investments* - For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Library 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 3: Capital Assets**

Capital asset activity for the year ended December 31, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated</b>				
Works of art	\$ 32,400	\$ -	\$ -	\$ 32,400
<b>Capital assets being depreciated</b>				
Furniture and equipment	\$ 566,519	\$ 58,267	\$ (176,324)	\$ 448,462
Leasehold improvements	773,835	346,901	(13,244)	1,107,492
Accumulated depreciation	(714,043)	(218,123)	189,568	(742,598)
<b>Total capital assets being depreciated - Net</b>	<u>\$ 626,311</u>	<u>\$ 187,045</u>	<u>\$ -</u>	<u>\$ 813,356</u>
<b>Governmental activities capital assets - Net</b>	<u>\$ 658,711</u>	<u>\$ 187,045</u>	<u>\$ -</u>	<u>\$ 845,756</u>

**MANHATTAN PUBLIC LIBRARY**  
Manhattan, Kansas  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2018

**Notes to Financial Statements**

**Note 4: Budgetary Comparison**

Under GASB No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. The Library is not legally required to adopt a budget for the Endowment Fund, Capital Improvement Fund, or Other Governmental Funds. Therefore, budget comparison information statements for these funds are not included in the Library's financial statements.

**Note 5: FCIP Lease**

The Library entered into a lease agreement with the City of Manhattan (the City) for the Facility Conservation Improvement Program (FCIP) during 2011. This project provides for various improvements to the Library which are intended to result in a savings in annual energy costs. The agreement states that the City of Manhattan will pay all of the costs associated with the project and the Library will make annual lease payments of \$25,471 for ten years for a total of \$254,710. The lease payments are intended to reimburse the City for the total cost of the project and do not include interest. Future debt service is scheduled at \$25,471 per year for years 2019 through 2021 at which time this debt will be fully retired.

**Note 6: Subsequent Events**

Management has evaluated subsequent events through June 14, 2019, which is the date the financial statements were available for issuance.

**Note 7: Shared Costs Agreement**

The Library and North Central Kansas Libraries System (the Libraries System) share common management and also have an agreement in place whereby the Library agrees to provide certain operating costs, such as personnel, occupancy and supplies expense. Additionally, the Library is responsible for the net pension liability of Libraries System employees that participate in the Kansas Public Employees Retirement System (KPERs), which is a pension plan administered by the State of Kansas.

For 2018, the Libraries System made payments to the Library totaling \$631,599 for personnel services and \$28,093 for occupancy and supply expenses under this agreement.

**Note 8: KPERs Pension Plan**  
**Plan Description**

The Kansas Public Employees Retirement System (KPERs, or the System) is a body corporate and an instrumentality of the State of Kansas. KPERs is the administrator of a cost sharing multiple employer defined benefit pension plan (Pension Plan) as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans. KPERs financial statements are included in the Comprehensive Annual Financial Report which can be found on the System's website at [www.kpers.org](http://www.kpers.org). KPERs provides pension benefits to the following statewide pension groups under one plan, as provided by K.S.A. 74, article 49:

Public employees, which includes:

- State/School employees
- Local government employees
- Police and Firemen
- Judges

Substantially all public employees in Kansas are covered by the Pension Plan. The State of Kansas and Kansas schools are required to participate, while participation by local political subdivisions is optional but irrevocable once elected. The Library's employees are included in the public employees group.

**MANHATTAN PUBLIC LIBRARY**  
Manhattan, Kansas  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2018

**Note 8: KPERS Pension Plan (Continued)**

**Benefits Provided**

Benefits are established by statute and may only be changed by the Legislature. Members (except Police and Firemen) with ten or more years of credited service, may retire as early as age 55 (Police and Firemen may be age 50 with 20 years of credited service), with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever a member's combined age and years of credited service equal 85 "points" (Police and Firemen's normal retirement ages are age 60 with 15 years of credited service, age 55 with 20 years, age 50 with 25 years, or any age with 36 years of service).

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, members may withdraw their contributions from their individual accounts, including interest. Members who withdraw their accumulated contributions lose all rights and privileges of membership. For all pension coverage groups, the accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74 4922.

Members choose one of seven payment options for their monthly retirement benefits. At retirement a member may receive a lump sum payment of up to 50% of the actuarial present value of the member's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc post retirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas.

The 2012 Legislature made changes affecting new hires, current members and employers. A new KPERS 3 cash balance retirement plan for new hires starting January 1, 2015, was created. Normal retirement age for KPERS 3 is 65 with five years of service or 60 with 30 years of service. Early retirement is available at age 55 with ten years of service, with a reduced benefit. Monthly benefit options are an annuity benefit based on the account balance at retirement.

For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74 4922.

**Contributions**

Member contribution rates are established by state law, and are paid by the employee according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined based on the results of an annual actuarial valuation for each of the three state wide pension groups. The contributions and assets of all groups are deposited in the Kansas Public Employees Retirement Fund established by K.S.A. 74 4921. All of the retirement systems are funded on an actuarial reserve basis.

For fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employers, which includes the state and the school employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 1.2% of total payroll.

The actuarially determined employer contribution rates and the statutory contribution rates for local employees are 8.39% and 8.39%, respectively. Member contribution rates as a percentage of eligible compensation for the fiscal year ended June 30, 2018 is 6.0% for local government employees.

**MANHATTAN PUBLIC LIBRARY**  
Manhattan, Kansas  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2018

**Note 8: KPERS Pension Plan (Continued)**  
**Employer Allocations**

Although KPERS administers one cost sharing multiple employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense are determined separately for each of the following groups of the plan:

- State/School
- Local government
- Police and Firemen
- Judges

To facilitate the separate (sub) actuarial valuations, KPERS maintains separate accounts to identify additions, deductions and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedules of pension amounts by employer and nonemployer.

The allocation percentages for the Library's share of the collective pension amounts as of June 30, 2018 and 2017 was based on the ratio of its contributions to the total of the employer and nonemployer contributions of the group for the fiscal years ended June 30, 2018 and 2017, respectively.

The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2018, the Library's proportion was 0.1090460%, which was an increase of 0.0749% from its proportion measured at June 30, 2017.

**Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources**

At December 31, 2018, the Library reported a liability of \$1,519,872 for its proportionate share of the net pension liability. 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 by an actuarial valuation as of that date.

For the year ended December 31, 2018, the Library recognized pension expense of \$162,395, which is exclusive of \$43,655 of reimbursement from North Central Kansas Libraries System under a shared services agreement. At December 31, 2018 the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Library contributions subsequent to the measurement date	\$ 74,070	\$ -
Differences between expected and actual experience	5,487	43,066
Net difference between projected and actual earnings on pension plan investments	35,555	-
Changes of assumptions	65,817	7,319
Changes in proportion	27,018	26,341
	<u>\$ 207,947</u>	<u>\$ 76,726</u>

**MANHATTAN PUBLIC LIBRARY**  
 Manhattan, Kansas  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
 December 31, 2018

**Note 8: KPERS Pension Plan (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources (Continued)**

The Library reported \$74,070 as deferred outflows of resources related to pensions resulting from Library contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Net Outflow (Inflow)</u>
2019	\$ 132,012
2020	30,016
2021	(29,111)
2022	(1,812)
2023	116
Thereafter	-
	<u>\$ 131,221</u>

**Actuarial Assumptions**

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry age normal
Inflation	2.75 percent
Salary increases	3.50 to 12.00 percent, including price inflation
Investment Rate of Return	7.75 percent compounded annually, net of investment expense, including price inflation

Mortality rates were based on the RP 2014 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using Scale MP-2016.

The actuarial assumptions used in the December 31, 2018 valuation was based on the results of an actuarial experience study conducted for the three-year period ending December 31, 2018.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class as of the most recent experience study, dated November 18, 2016, as provided by KPERS' investment consultant, are summarized in the following table:

	<u>June 30, 2018</u>	
	<u>Long-Term Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47.00%	6.85%
Fixed income	13.00%	1.25%
Yield driven	8.00%	6.55%
Real return	11.00%	1.71%
Real estate	11.00%	5.05%
Alternatives	8.00%	9.85%
Short-term investments	2.00%	-0.25%
	<u>100.00%</u>	

**MANHATTAN PUBLIC LIBRARY**  
Manhattan, Kansas  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2018

**Note 8: KPERS Pension Plan (Continued)**

**Discount rate**

The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate was based on member and employer contributions as outlined below:

In KPERS, the State/School and Local groups do not necessarily contribute the full actuarial determined rate. Based on legislation first passed in 1993 and subsequent legislation, the employer contribution rates certified by the Board may not increase by more than the statutory cap. The statutory cap for Fiscal Year 2018 was 1.2 percent.

In recent years, the Legislature has made several changes to statutory rates that deviate from the scheduled contribution increases set under the caps established in 2012 for the State/School group. Under 2015 SB4, the previously certified State/School statutory rate for Fiscal Year 2015 of 11.27 percent was reduced to 8.65 percent for the last half of the fiscal year as part of the Governor's allotment. That same session, SB 228 recertified statutory rates for the State/School group to 10.91 percent for Fiscal Year 2016 and 10.81 percent for Fiscal Year 2017 in anticipation of the issuance of \$1 billion in pension obligation bonds. Legislation passed by the 2017 Legislature removed the repayment provisions included in SB 161.

In addition, 2017 Senate Substitute For Sub. HB 2052 delayed \$64.1 million in Fiscal Year State/School contributions, to be repaid over 20 years in level dollar installments. The first year payment of \$6.4 million was received in July 2017 and appropriations for Fiscal Year 2018 are intended to fully fund the State/School group statutory contribution rate of 12.01 percent for that year. Additional legislation in the 2017 Session (S Sub for HB 2002) provided for a reduction of \$194 million from the previously certified contribution rate of 13.21 percent in the State/School contributions for Fiscal Year 2019. Like the Fiscal Year 2017 reduction, it is to be paid back over a 20 year period, beginning in Fiscal Year 2020. Therefore, both reductions will be accounted for as long-term receivables by the Pension Plan.

Based on employer contribution history as described above, it is a reasonable estimate that the State/School group's contribution rate may not be certified at the statutory rate. It has been assumed that contribution rates will be made within the same range as have been seen in the past few years. Using this assumption actuarial modeling indicates that employer contribution rates for the State/School group are sufficient to avoid a depletion date.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following table presents the net pension liability of the Pension Plan as of June 30, 2017 calculated using the discount rate of 7.75%, as well as what the Pension Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<b>1.00% Decrease (6.75%)</b>	<b>Current Rate (7.75%)</b>	<b>1.00% Increase (8.75%)</b>
Net pension liability	<u>\$ 920,499</u>	<u>\$ 1,519,872</u>	<u>\$ 2,229,114</u>

**MANHATTAN PUBLIC LIBRARY**  
 Manhattan, Kansas  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
 December 31, 2018

**Note 9: Commitments - Encumbrances**

The Library uses encumbrances to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to executed contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year-end are not accounted for as expenditures and liabilities. At December 31, 2018, the Library recorded encumbrances in governmental funds as follows:

Endowment	\$ 6,085
Other Governmental Funds	294
	<u>\$ 6,379</u>

**Note 10: Interfund Transfers**

The Library made the following operating transfers during 2018. The transfers were approved by the Library's Board of Trustees:

<u>Fund From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
General	Capital Improvement	K.S.A. 12-1258	\$ 88,021
Other Governmental	Capital Improvement	K.S.A. 12-1258	50,000

**Note 11: Commitment for Children's Library Expansion**

In 2014, the City of Manhattan, Kansas issued general obligation bonds to finance the children's library expansion under an agreement whereby the Library agreed to repay the City for the annual costs of the debt issue which are expected to total \$1,225,000 to be repaid at an estimated \$131,000 per year from 2019 through 2027.

For 2018, the City withheld the required debt service payment of \$130,206 from the remittance of property tax revenues to the Library. Gross property taxes for 2018 were \$3,151,666.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**MANHATTAN PUBLIC LIBRARY**  
 Manhattan, Kansas  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**KPERS PENSION PLAN**

**Schedule of Library's Proportionate Share of the Net Pension Liability**  
**Last Ten Years**

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Library's proportionate share of the net pension liability	\$ 1,462,718	\$ 1,716,538	\$ 1,568,634	\$ 1,519,872
Library's annual, covered employee payroll	<u>1,876,729</u>	<u>1,921,200</u>	<u>1,861,366</u>	<u>1,869,141</u>
Library's proportionate share of the net pension liability as a percentage of its covered employee payroll	<u>78%</u>	<u>89%</u>	<u>84%</u>	<u>81%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>65%</u>	<u>65%</u>	<u>67%</u>	<u>69%</u>

**Schedule of Library's Contributions**  
**Last Ten Years**

Contractually required contribution	\$ 107,355	\$ 177,487	\$ 169,394	\$ 164,434
Contributions in relation to the contractually required contribution	<u>107,355</u>	<u>177,487</u>	<u>169,394</u>	<u>164,434</u>
Contribution Excess (Deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Library's covered employee payroll	<u>\$ 1,876,729</u>	<u>\$ 1,921,200</u>	<u>\$ 1,861,366</u>	<u>\$ 1,869,141</u>
Contributions as a percentage of covered employee payroll	<u>9%</u>	<u>9%</u>	<u>9%</u>	<u>9%</u>

**Notes:**

Data became first available with the inception of GASB Statement No. 68 during fiscal year 2015, therefore 10 years of data is unavailable.

The amounts listed above are exclusive of cost sharing reimbursements received from the North Central Kansas Libraries System.