# Manhattan Public Library

## Financial Statements
## As of December 31, 2021
## and For the Year Then Ended

**With Report by Independent Auditors**

KIENTZ & PENICK
CPAs, LLC

| | |
|---|---|
| **President** | Elaine Shannon |
| **Vice President** | Kerry Spencer |
| **Secretary / Treasurer** | Linda Knupp |
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| | |
|---|---|
| **Library Director** | Linda Knupp |

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KIENTZ & PENICK
CPAs, LLC

**To the Board of Trustees of**
Manhattan Public Library
629 Poyntz Ave
Manhattan, Kansas 66502

May 9, 2022

**Independent Auditor's Report**

**Opinion**
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Manhattan Public Library (the Library), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

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 Library as of December 31, 2021, and the changes in its financial position for the year 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 and the Kansas Municipal Audit and Accounting Guide (KMAAG). Our responsibilities under those standards are further described below in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are required to be independent of the Library and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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

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**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 Library'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Library'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.

**Required Supplemental Information**

Accounting principles generally accepted in the United States of American require that the management's discussion and analysis and the required supplemental information as listed in the table of contents be presented to supplement the basis 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.

Kientz & Penick, CPAs, LLC

Certified Public Accountants
Manhattan, Kansas

# MANAGEMENT'S DISCUSSION AND ANALYSIS

**General Information**

This discussion and analysis of Manhattan Public Library (the Library) financial performance provides an overview of the Library's financial activities for the year ended December 31, 2021. Please read this in conjunction with the Library's financial statements, which begin after this section of the report.

**Financial Highlights**

The Library has one primary source of revenue; in 2021, 92% of revenue was generated from the collection of local property tax, while 5% of revenue was earned in the endowment, and 3% of revenue was from grants, fees, and interest. As established by Kansas Statute, property taxes are the way public libraries are funded in Kansas as the main source of revenue.

Property values across Manhattan remained stable from 2020 to 2021. The 2021 Budget remained flat across both the General Fund (GF) and the Employee Benefit Fund (EFB), with only a 0.3% and 0.5% increase, respectively. Revenue in the Grants, Fees and Interest (GFI) fund remained stable through the second year going fine-free and not collecting overdue fines on checked out items. The Endowment Fund saw a sharp increase as the Manhattan Library Foundation committed $175,000 of additional funds in support of an automated material handling unit, six self-check stations, updated security gates, and the associated software. The Manhattan Library Association was also able to resume book sales and other fund-raising efforts to contribute over $20,000 to library programing, an increase of $4,000 from 2020.

In 2021, the Library completed the fifth year of ten for payment of the expansion bond. The remaining payments will be approximately $133,500 per year. The last payment of $25,471 completed the Library's obligation to the City of Manhattan for the 2011 Facilities Conservation Improvement Project.

The care and upkeep of the building, that has seen different additions completed in different years, remains a challenge. Improvements and updates to the oldest parts of the building and facilitates are to be expected. As ongoing issues are addressed, the Library will look for grants and other financial assistance beyond reserves in the Capital Improvement Fund and endowments.

It should be noted that after ten years of service Library Director Linda Knupp retired at the end of December 2021. Eric Norris was hired as the new director, starting on December 13, 2021.

*General Budget Overview of Tax Funds*

General Fund (Ad Valorem or property tax fund) - income on personal property.

Cash-basis law – KSA 10-113, 10-1121. Expenditures are made in compliance with the cash-basis law. No indebtedness can be created in excess of available funds. A library can't spend more tax money than authorized in the annual tax budgets. Money in the General Fund must be spent the year it is received, though a balance may be carried forward for the purpose of paying January bills (the Library reserves funds in the GFI fund for this purpose). Up to 10% of the budgeted funds may be transferred to a Capital Improvement Fund. K.S.A 75-2556 stipulates that municipalities supporting a public library must budget as much or more for the budget year as received in the current year in order for the Library to be eligible for state grant-in-aid through the State Library of Kansas. K.S.A. 12-1220 grants library boards with the authority to levy a tax for the library in such sum as the Library board shall determine. The Library operates under the provision of a Charter Ordinance (established in 1984) that sets the maximum tax levy for the General Fund at 6 mills. In addition to 6 mills, Kansas statute and a local City of Manhattan, Kansas ordinance grant the Library board authority to levy a separate tax for an Employee Benefit Fund.

Employee Benefit Fund (EFB) - income on personal property for specific employee benefits.

The EFB fund covers employee health insurance, the Library's contribution to the Kansas Public Library Employee Retirement Plan (KPERS), social security, workers-compensation insurance and unemployment insurance. Unlike the General Fund, carryover is allowed from previous years, which allows flexibility to reduce the amount of revenue required for the next year and for changes in health insurance costs or employee status which are not known before the budget is due.

*General Budget Overview of Non-Tax Funds*

Grants, Fees and Interest (GFI)

Includes federal, state, system aid, e-rate reimbursement, income from fines, etc. Non-tax funds are not subject to the cash-basis law – funds may be carried over. State aid is state and federal funding that is redistributed to libraries across Kansas through the State Library of Kansas. It has declined by 70% since 2011.

Endowment

Includes financial support from the Manhattan Library Foundation, the Manhattan Library Association, and monetary gifts from the public.

**Using This Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities on pages 6 and 7 provide information about the activities of the Library as a whole and present a longer-term view to the Library's finances. Fund financial statements start on page 8.

For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Library's operations in more detail than the government-wide statements by providing information about the Library's most significant funds.

**Reporting the Library as a Whole**

*The Statements of Net Position and the Statements of Activities*

One of the most important questions asked about the Library's finances is "Is the Library as a whole better off or worse off as a result of the year's activities?". The Statement of Net Position and the Statement of Activities report information about the Library as a whole and about its activities that helps answer this question.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Library's net position and changes in it.

Think of the Library's net position, the difference between assets and liabilities, as one way to measure the Library's financial health or financial position. Over time, increases or decreases in the Library's net position are one indicator of whether financial health is improving or deteriorating.

The following is a summary of the statement of net position:

| | 2021 | % | 2020 | % |
|---|---|---|---|---|
| **Assets and Deferred Outflows** | | | | |
| Current assets | $ 5,841,057 | 82% | $ 5,595,615 | 81% |
| Noncurrent assets | 880,690 | 12% | 757,901 | 11% |
| Deferred outflows of resources | 450,081 | 6% | 537,358 | 8% |
| **Total Assets and Deferred Outflows** | $ 7,171,828 | 100% | $ 6,890,874 | 100% |
| **Liabilities, Deferred Outflows and Net position** | | | | |
| Current liabilities | $ 95,379 | 1% | $ 66,580 | 1% |
| Noncurrent liabilities | 1,426,816 | 20% | 2,114,076 | 31% |
| Deferred inflows of resources | 4,070,327 | 57% | 3,535,874 | 51% |
| Net position | 1,579,306 | 22% | 1,174,344 | 17% |
| **Total Liabilities, Deferred Outflows and Net Position** | $ 7,171,828 | 100% | $ 6,890,874 | 100% |

The most sensitive balance above is the noncurrent liabilities which are entirely related to the Library's net pension liability as a participant in the State of Kansas, KPERS pension plan.

The following is a summary of significant changes in net position:

| | 2021 | 2020 |
|---|---|---|
| **Net Program Expense** | | |
| Program revenues | $ 520,564 | $ 300,489 |
| Program expenses | (3,476,099) | (3,478,977) |
| **Net Program Expense** | (2,955,535) | (3,178,488) |
| **General revenues** | 3,360,497 | 3,348,634 |
| **Change in Net Position** | $ 404,962 | $ 170,146 |

As shown above, the Library funds the majority of its programs through general revenues, primarily intergovernmental taxes from the City of Manhattan, Kansas.

**Fund Financial Statements**
Analysis of the Library's major funds begins on page 8. The budgetary statements are on pages 10 and 11 and provide detailed information about the general fund and the employee benefit fund, not the Library as a whole. However, the Library Board established other funds to help or control money for particular purposes or to show that it is meeting legal responsibility for using grants and other monies. The Library uses governmental funds.

The Library's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can regularly be converted to cash. The governmental fund statements provide a short term view of the Library's general government operations and the services it provides.

Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Library's programs. The relationship (or differences) between governmental activities (reported in a statement of net position and the statement of activities) and the governmental funds is provided in the reconciliation at the bottom of the fund financial statements.

**Capital Asset Administration**
At the end of 2021, the Library had $880,690 invested in capital assets, net of depreciation. Significant capital purchases for 2021 included the following:

1. Construction in progress of $155,344 related to a special renovation project of the circulation desk which is funded by $175,000 of capital grant received from the Manhattan Library Foundation.
2. Three HVAC air compressor units were replaced at a total cost of $43,146.

**Factors Bearing on the Future of the Library**
At the time 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:

- The care and upkeep of the Library facility, which includes different additions constructed in different years, presents challenges and requires capital improvement funds and endowment funds be monitored for sufficiency.

- The Library continues to closely consider external factors such as (1) the costs of facilities, (2) KPERS and other employee benefit costs, and (3) third-party service charges.

**Contacting the Library's Financial Management**
This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Library's finances. The report is also designed to show the Library's accountability for the money it receives. Further questions concerning this report, or the financial status of the Library should be directed to:

Eric Norris, Library Director
Manhattan Public Library
629 Poyntz Ave
Manhattan, KS 66502

# FINANCIAL STATEMENTS

| | Governmental Activities |
|---|---|
| | Public Library |
| **Assets and Deferred Outflows of Resources** | |
| **Assets** | |
| **Current Assets** | |
| Cash and cash equivalents | $ 1,780,822 |
| Certificates of deposit | 456,787 |
| Intergovernmental receivable | 3,529,040 |
| Prepaid expenses and other assets | 74,408 |
| **Total Current Assets** | 5,841,057 |
| **Noncurrent Assets** | |
| Capital assets, net | 880,690 |
| **Total Assets** | 6,721,747 |
| **Deferred Outflows of Resources** | |
| KPERS pension plan | 450,081 |
| **Total Assets and Deferred Outflows of Resources** | $ 7,171,828 |
| **Liabilities, Deferred Inflows of Resources and Net Position** | |
| **Liabilities** | |
| **Current Liabilities** | |
| Accounts payable | $ 54,868 |
| Payroll liabilities | 40,511 |
| **Total Current Liabilities** | 95,379 |
| **Noncurrent Liabilities** | |
| Compensated absences liability | 104,680 |
| KPERS net pension liability | 1,322,136 |
| **Total Noncurrent Liabilities** | 1,426,816 |
| **Total Liabilities** | 1,522,195 |
| **Deferred Inflows of Resources** | |
| KPERS pension plan | 541,287 |
| Unavailable intergovernmental receivable | 3,529,040 |
| **Total Deferred Inflows of Resources** | 4,070,327 |
| **Net Position** | |
| Investment in capital assets | 880,690 |
| Restricted – nonexpendable permanent endowment | 734,168 |
| Unrestricted | (35,552) |
| **Total Net Position** | 1,579,306 |
| **Total Liabilities, Deferred Inflows of Resources and Net Position** | $ 7,171,828 |

| | Governmental Activities |
|---|---|
| | Public Library |
| **Program Expenses** | |
| Personnel services | $ 2,342,961 |
| Contractual services | 430,683 |
| Commodities | 459,836 |
| Miscellaneous | 4,160 |
| Capital outlay (for items not meeting capitalization policy) | 129,788 |
| Depreciation | 108,671 |
| **Total Program Expenses** | 3,476,099 |
| **Program Revenues** | |
| Charges for services | 58,258 |
| Operating grants and contributions | 237,975 |
| Capital grants and contributions | 224,331 |
| **Total Program Revenues** | 520,564 |
| **Net Program Expense** | 2,955,535 |
| **General Revenues** | |
| Intergovernmental taxes – City of Manhattan, Kansas | 3,347,403 |
| Interest income | 12,240 |
| Other income | 854 |
| **Total General Revenues** | 3,360,497 |
| **Change in Net Position** | 404,962 |
| **Net Position, Beginning** | 1,174,344 |
| **Net Position, Ending** | $ 1,579,306 |

| | General | Employee Benefit | Capital Improvement | Permanent Endowment | Grants, Fees and Interest | Total |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | $ 4,910 | $ 508,774 | $ 702,494 | $ 543,250 | $ 21,394 | $ 1,780,822 |
| Certificates of deposit | - | - | - | 265,704 | 191,083 | 456,787 |
| Intergovernmental receivable | 2,866,150 | 662,890 | - | - | - | 3,529,040 |
| Prepaid expenses and other assets | 50,265 | - | - | 23,988 | 155 | 74,408 |
| **Total Assets** | $ 2,921,325 | $ 1,171,664 | $ 702,494 | $ 832,942 | $ 212,632 | $ 5,841,057 |
| **Liabilities, Deferred Inflows of Resources and Fund Balance** | | | | | | |
| **Liabilities** | | | | | | |
| Accounts payable | $ 4,036 | $ - | $ - | $ 50,832 | $ - | $ 54,868 |
| Payroll liabilities | - | 40,511 | - | - | - | 40,511 |
| **Total Liabilities** | 4,036 | 40,511 | - | 50,832 | - | 95,379 |
| **Deferred Inflows of Resources** | | | | | | |
| Unavailable intergovernmental receivable | 2,866,150 | 662,890 | - | - | - | 3,529,040 |
| **Fund Balance** | | | | | | |
| Nonspendable – prepaid expense | 50,265 | - | - | 23,988 | - | 74,253 |
| Nonspendable – permanent endowment | - | - | - | 734,168 | - | 734,168 |
| Committed | - | - | 702,494 | - | - | 702,494 |
| Assigned | - | 468,263 | - | 23,954 | 212,632 | 704,849 |
| Unassigned | 874 | - | - | - | - | 874 |
| **Total Fund Balance** | 51,139 | 468,263 | 702,494 | 782,110 | 212,632 | 2,216,638 |
| **Total Liabilities, Deferred Inflows of Resources and Fund Balance** | $ 2,921,325 | $ 1,171,664 | $ 702,494 | $ 832,942 | $ 212,632 | $ 5,841,057 |

**Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position**

| | |
|---|---|
| Total fund balance from the governmental fund balance sheet above | $ 2,216,638 |
| Capital assets are reported net of accumulated depreciation are not reported in the funds | 880,690 |
| The KPERS net pension liability, and related deferred inflows and outflows of resources are not reported in the funds | (1,413,342) |
| The compensated absences liability is not reported in the funds | (104,680) |
| **Total Net Position on the Statement of Net Position** | $ 1,579,306 |

| | General | Employee Benefit | Capital Improvement | Permanent Endowment | Grants, Fees and Interest | Total |
|---|---|---|---|---|---|---|
| **Revenues** | | | | | | |
| Intergovernmental taxes | $ 2,646,053 | $ 701,350 | $ - | $ - | $ - | $ 3,347,403 |
| Charges for services | - | - | - | - | 58,258 | 58,258 |
| Gifts and bequests | - | - | - | 421,413 | 40,893 | 462,306 |
| Interest income | - | - | - | 3,554 | 8,686 | 12,240 |
| Other income | - | - | - | - | 854 | 854 |
| **Total Revenues** | 2,646,053 | 701,350 | - | 424,967 | 108,691 | 3,881,061 |
| **Expenditures** | | | | | | |
| Personnel services | $ 1,826,878 | $ 610,803 | $ - | $ - | $ - | $ 2,437,681 |
| Contractual services | 372,601 | - | - | - | 58,082 | 430,683 |
| Commodities | 320,963 | - | - | 116,327 | 22,546 | 459,836 |
| Miscellaneous | - | - | - | 3,600 | 560 | 4,160 |
| Capital outlay | 80,000 | - | 36,529 | 250,345 | 19,845 | 386,719 |
| **Total Expenditures** | 2,600,442 | 610,803 | 36,529 | 370,272 | 101,033 | 3,719,079 |
| **Revenue Over (Under) Expenditures** | 45,611 | 90,547 | (36,529) | 54,695 | 7,658 | 161,982 |
| **Other Financing Sources (Uses)** | | | | | | |
| Interfund transfers received (sent) | (85,235) | - | 85,235 | - | - | - |
| **Net Change in Fund Balance** | (39,624) | 90,547 | 48,706 | 54,695 | 7,658 | 161,982 |
| **Fund Balance, Beginning** | 90,763 | 377,716 | 653,788 | 727,415 | 204,974 | 2,054,656 |
| **Fund Balance, Ending** | $ 51,139 | $ 468,263 | $ 702,494 | $ 782,110 | $ 212,632 | $ 2,216,638 |

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities**

| | |
|---|---|
| Net change in fund balance from the above statement of revenues, expenditures and changes in fund balances | $ 161,982 |
| Capital outlay which is charged to expenditure in the funds but capitalized in the statement of net position | 231,460 |
| Depreciation on capital assets which is charged to expense in the statement of activities | (108,671) |
| The change in the estimated KPERS pension obligations which is recognized in the statement of activities | 81,644 |
| The change in the compensated absences liability is reported on the statement of activities but not in the funds | 13,076 |
| FCIP lease payments are reported as expenditure in the funds but liquidate a noncurrent liability on the statement of net position | 25,471 |
| **Total Change in Net Position on the Statement of Activities** | $ 404,962 |

| | Budget | Actual | Variance Over (Under) |
|---|---|---|---|
| **Revenues** | | | |
| Intergovernmental taxes – City of Manhattan, Kansas* | $ 2,732,650 | $ 2,646,053 | $ (86,597) |
| **Expenditures** | | | |
| Personnel services | $ 1,890,000 | $ 1,826,878 | $ (63,122) |
| Contractual services | 382,650 | 330,614 | (52,036) |
| Commodities | 310,000 | 323,326 | 13,326 |
| Capital outlay | 90,000 | 80,000 | (10,000) |
| Transfer to capital improvement fund | 60,000 | 85,235 | 25,235 |
| **Total Expenditures** | $ 2,732,650 | 2,646,053 | $ (86,597) |
| **Net Change in Fund Balance (Budget Basis)** | | - | |
| **Fund Balance (Budget Basis), Beginning** | | 874 | |
| **Fund Balance (Budget Basis), Ending** | | 874 | |
| **U.S. GAAP Adjustments to Reconcile to Balance Sheet** | | | |
| Change in prepaid expenses | | 50,265 | |
| **Fund Balance (U.S. GAAP Basis), Ending** | | $ 51,139 | |

* The budget and actual amounts of intergovernmental taxes for the City of Manhattan, Kansas (the City) are each reported net of a $133,500 expansion bond payment which is tax levied by the City in order to finance the City's debt service on the Library facility, which is owned by the City and operated by the Library. See note 6 to the financial statements for further information.

| | Budget | Actual | Variance Over (Under) |
|---|---|---|---|
| **Revenues** | | | |
| Intergovernmental taxes – City of Manhattan, Kansas | $ 701,350 | $ 701,350 | $ - |
| **Expenditures** | | | |
| Personnel services | $ 701,350 | $ 610,803 | $ (90,547) |
| **Net Change in Fund Balance (Budget Basis)** | | 90,547 | |
| **Fund Balance (Budget Basis), Beginning** | | 377,716 | |
| **Fund Balance (Budget Basis), Ending** | | 468,263 | |

At December 31, 2021, there were no differences between the fund balance (budget basis) presented above and the fund balance (modified accrual basis) as presented on the balance sheet – governmental funds.

## Note 1: Summary of Significant Accounting Policies

The accounting and reporting policies of Manhattan Public Library (the Library), relating to the funds included in the accompanying financial statements, conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication titled Audits of State and Local Governments (GASB 34 Edition), and by the Financial Accounting Standards Board, when applicable. The following is a summary of such significant policies.

### The Financial Reporting Entity

The Library is organized under Kansas statutes in the City of Manhattan, Kansas (the City) for the purpose of operating a public library for the residents of the City. A board consisting of eight members is appointed by the City, of which the City's mayor is an ex-officio member having the same power to vote and the same responsibility as any other member. The Library's director is an executive officer of the board but has no vote. The board elects an executive board and adopts rules and regulations for the administration of the Library as it deems necessary. The Library receives funding from local and state governmental sources and must comply with the requirements of these funding sources.

The Library is a component unit of the City of Manhattan, Kansas. The Library is controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board. These financial statements include only the funds of the Library.

The Library is a primary government as defined in GASB No. 61 *The Financial Reporting Entity*. The Library Board has the authority to make decisions, influence operations, and has the primary accountability in fiscal matters.

As a municipality, the Library is not subject to income, property or sales taxes. The Library is, however, subject to employment taxes.

### Government-Wide and Fund Financial Statements

The government-wide financial statements, the statement of net position, and the statement of activities report financial information for the Library as a whole. Individual funds are not presented, but the statements distinguish governmental activities, which are generally supported by taxes, grants, and the Library's general revenues.

The statement of activities reports the direct expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges for services which report fees, fines, and other charges to users of the Library's services, operating grants and contributions which finance annual operating activities including investment income, and capital grants which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not included with program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

#### Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Intergovernmental revenues are recognized as revenues 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.

**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. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available within the current period or soon enough thereafter to pay liabilities of the current period. The Library considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the liability is incurred. However, expenditures related to compensated absences and claims, and judgments are recorded only when payment is due.

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts, recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The Library reports the following major governmental funds.

| Fund Name | Fund Purpose |
|---|---|
| General Fund | To account for intergovernmental taxes received from the City of Manhattan, Kansas for the purpose of financing general Library operations. |
| Employee Benefit Fund | To account for intergovernmental taxes received from the City of Manhattan, Kansas for the purpose of financing employee benefit costs. |
| Capital Improvement Fund | To account for financial resources to be used for improving, furnishing, equipping, remodeling or making additions to the Library. |
| Permanent Endowment Fund | To account for gifts and bequests received from the public which are to be maintained in perpetuity, invested and only the earnings thereon are spendable for a specified donor purpose which directly benefits the Library's programs and services. |
| Grants, Fees and Interest | To account for grants, fees, and interest revenue and the related uses of these resources. |

**Budgetary Information**

The Library is not subject to statutory, annual operating budget requirements, but is controlled by the use of an internal budget established and monitored by the governing body. The internal budget is the source of the budget amounts listed on the statement of revenues, expenditures, and changes in fund balance (budget basis) for the general and employee benefit funds.

**Cash and Cash Equivalents**

The Library considers all bank deposit accounts, money market accounts and certificates of deposit classified as current assets to be cash and cash equivalents. Certificates of deposit with maturities of longer than three months can still be used by the Library to meet current liabilities if they wish to pay any applicable penalties for early redemption.

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

**Property Tax Calendar and Intergovernmental Receivable**

Collection of current year property tax by the treasurer of Riley County, Kansas is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing Kansas statutes. Property taxes are collected and remitted to the County treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half by May 10th. Taxes are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received.

Consequently, the current year intergovernmental receivable is not available as a resource that can be used to finance the current year operations of the Library, and therefore, is not susceptible to revenue recognition. At December 31st, such taxes are recorded as taxes receivable, net of anticipated delinquencies with a corresponding amount recorded as deferred inflows of resources on the balance sheet of the appropriate funds. It is not practicable to apportion delinquent taxes at the end of the year and, further, the amounts are not material in relationship to the basic financial statements.

**Prepaid Expenses**

Certain payments to vendors reflects costs applicable to future accounting periods and are recorded as prepaid expenses in both the statement of net position and the balance sheet of the governmental funds. The cost of prepaid expenses is recorded as expense in the period when goods or services are received by the Library, rather than in the period paid.

**Capital Assets, Net**

Capital assets, which include property and equipment, are reported in the governmental column of the statement of net position. Capital assets are defined by the Library as assets or a group of assets with an initial, individual cost of $5,000 or more and an estimated useful life of three or more years.

These assets are valued at historical cost, estimated historical cost if actual cost is not available, or estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The sale or disposal of capital assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income. The Library's works of art are estimated to have an indefinite useful life and as such is not depreciated. Other classes of capital assets are depreciated over each asset's estimated useful life using the straight-line method. The estimated useful lives used for each class of capital asset are as follows:

| Class of Capital Asset | Estimated Useful Life (in Years) |
|---|---|
| Leasehold improvements | 10 to 40 years |
| Furniture and equipment | 5 to 10 years |

**Compensated Absences Liability**

The compensated absences liability in the government-wide statement of net position consists of unpaid, accumulated vacation balances. Under the terms of the Library's personnel policy, employees are granted vacation leave in varying amounts depending upon employee classification and length of service. Employees retiring from or terminating their employment with the Library are eligible to receive payment for their accumulated vacation. Because the majority of this liability originates in a service period with an expectation of maturity and liquidation in a future service period that is more than one year into the future, this liability is not reported as liability in the funds.

**Net Pension Liability**

The Library reports its proportionate share of the KPERS net pension liability on the statement of net position, including related deferred outflows and inflows of resources. See note 9 for further detailed information on the Library's participation in KPERS. Because (a) the net pension liability is measured as of December 31, 2020 and rolled forward to June 30, 2021 (which is a measurement date different than the Library's December 31, 2021 reporting date) and (b) because the net pension liability is most effectively evaluated through multi-year trend analysis, the Library includes comparative 2020 information in note 9 in addition to the required supplemental information which follows the note disclosures.

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

**Net Position Classifications**

In the statement of net position, equity is shown as net position and categorized into the following classes:

| Class of Net Position | Description |
|---|---|
| Investment in capital assets | Capital assets, net of accumulated depreciation. This amount is separately classified to identify net position which is not liquid and spendable. |
| Restricted – nonexpendable permanent endowment | Gifts and bequests received from the public which are to be maintained in perpetuity as endowed principal and only the investment earnings thereon are spendable for a specified donor purpose. |
| Unrestricted | All other resources of the Library which are not categorized into one of the above classes. |

When both restricted and unrestricted resources are available for use, it is the Library's policy to use restricted resources first, then unrestricted resources as needed.

**Fund Balance Classifications**

In the balance sheet, equity is shown as fund balance and categorized into the following classes:

| Class of Fund Balance | Description |
|---|---|
| Nonspendable – prepaid expense | Cash paid as of the December 31 reporting date which is already spent in order to benefit future reporting periods. |
| Nonspendable – permanent endowment | Gifts and bequests received from the public which are to be maintained in perpetuity as endowed principal and only the investment earnings thereon are spendable for a specified donor purpose. |
| Committed | Resources which have been set aside by the Library's board of trustees for capital improvement. |
| Assigned | Comprised of amounts intended to be used by the Library for specific purposes that are neither restricted nor committed. |
| Unassigned | All other resources of the Library which are not categorized into one of the above classes. The general fund is the only fund to report positive unassigned fund balances. Other funds may report a deficit fund balance as unassigned but will otherwise report positive fund balance in one of the classes above. |

In circumstances when expenditures are made for a purpose which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, and unassigned.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred inflows of resources, liabilities and deferred outflows of resources, and disclosure of contingencies at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent Events**

The Library has evaluated subsequent events through May 9, 2022 which is the date the financial statements were available to be issued.

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

**Pending Governmental Accounting Standards Board (GASB) Statements**

GASB Statement No. 87, *Leases*, improves accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are first effective for the Library in the year ended December 31, 2022.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements,* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases,* ed. The requirements for this statement are first effective for the Library in the year ending December 31, 2023.

**Note 2: Banking Deposits**

K.S.A. 9-1401 establishes the banking depositories which may be used by the Library. The statute requires banks eligible to hold the Library's fund 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*

Kansas 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 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 the Library. Kansas 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%.

On December 31, 2021, the Library's carrying amount of deposits was $2,237,609 and the bank balance was $2,359,110. The difference between the bank balance and book balance is outstanding checks. The entirety of the bank balance was secured FDIC insurance by limiting the amount of funds on deposit with any single bank to the FDIC limit of $250,000.

**Note 3: Risk Management**

The Library carries commercial insurance for risks of loss, including property, automobile, general liability, employment practices, crime, and workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 4: Capital Assets**

Capital asset activity for the year ended December 31, 2021 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| **Nondepreciable Capital Assets** | | | | |
| Works of art | $ 32,400 | $ - | $ - | $ 32,400 |
| Construction in progress | - | 155,344 | - | 155,344 |
| **Total Nondepreciable Capital Assets** | 32,400 | 155,344 | - | 187,744 |
| **Depreciable Capital Assets** | | | | |
| Furniture and equipment | 513,146 | 76,116 | (145,336) | 443,926 |
| Leasehold improvements | 930,306 | - | - | 930,306 |
| **Total Depreciable Capital Assets** | 1,443,452 | 76,116 | (145,336) | 1,374,232 |
| **Cost Basis of Capital Assets** | 1,475,852 | 231,460 | (145,336) | 1,561,976 |
| **Accumulated Depreciation** | (717,951) | (108,671) | 145,336 | (681,286) |
| **Capital Assets, Net** | $ 757,901 | $ 122,789 | $ - | $ 880,690 |

During 2021, The Library received a commitment of $175,000 from the Manhattan Library Foundation in support of an automated material handling unit, six self-check stations, updated security gates, and the associated software. These upgrades were in process at December 31, 2021 and were completed by February 28, 2022.

**Note 5: FCIP Lease Obligation**

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 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. This lease obligation was fully retired in 2021 as originally scheduled.

**Note 6: Financing Commitment for Children's Library Expansion**

In 2014, the City of Manhattan, Kansas (the City) 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 totaled $1,225,000. This amount will be repaid at an estimated $131,000 per year from 2019 through 2027. For 2021, the City withheld the required debt service payment of $133,500 from the remittance of property tax revenues to the Library.

**Note 7: Interfund Transfers**

During 2021, the Library's Board of Trustees, under authority granted by KSA 12-1258, approved a transfer of $85,235 from the General Fund to the Capital Improvement Fund.

**Note 8: Cost Sharing Agreement with NCKL**

The Library and North Central Kansas Libraries System (NCKL) share common management and also have an agreement in place whereby the Library agrees to provide certain operating resources, such as personnel, occupancy and supplies. Additionally, the Library is responsible for the net pension liability of NCKL employees that participate in the Kansas Public Employees Retirement System (KPERS), which is a pension plan administered by the State of Kansas and described more fully in note 9.

For 2021, NCKL made payments to the Library totaling $693,367 for personnel services and $33,681 for occupancy and supply expenses under this agreement.

## Note 9: Participation in KPERS Pension Plan

### General Information about the Pension Plan

#### Plan description

The Library participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

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 Employees
- Police and Firemen
- Judges

Substantially all public employees in Kansas are covered by KPERS. 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 is an employer participant included in the Local Employees group.

#### Benefits

Benefits are established by statute and may only be changed by the Kansas 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 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 postretirement 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 cash balance retirement plan (KPERS 3) was created for new hires starting after January 1, 2015. 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.

**Note 9: Participation in KPERS Pension Plan (Continued)**

**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 statewide 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 rate and the statutory contribution rates are as follows for each of the years ended June 30:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Actuarial Employer Rate | Statutory Employer Capped Rate | Actuarial Employer Rate | Statutory Employer Capped Rate |
| State employees | 9.22% | 14.23% | 9.49% | 14.41% |
| School employees | 15.59 | 14.23 | 16.15 | 14.41 |
| State/School employees (1) | 14.23 | 14.23 | 14.74 | 14.41 |
| Local government employees | 8.87 | 8.87 | 8.61 | 8.61 |
| Police and Firemen | 22.80 | 22.80 | 21.93 | 21.93 |
| Judges | 17.26 | 17.26 | 18.65 | 18.65 |

(1)The State/School subgroups are combined into one group for purposes of determining a contribution rate. Rates shown for State, School and Judges represent the rates for fiscal years ending June 30, 2021 and 2020. Local and Police and Firemen rates are calendar year.

Member contribution rates as a percentage of eligible compensation in the years ended June 30, 2021 and 2020 are 6.00% for Public Employees, 7.15% for Police and Firemen, and 6.00% or 2.00% for Judges.

**Employer and Nonemployer Allocations**

Although KPERS administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarially 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
- 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 as of June 30, 2021, are based on the ratio of each employer's contributions to total employer and nonemployer contributions of the group for the fiscal year ended June 30, 2021. The contributions used exclude contributions made for prior service, excess benefits and irregular payments.

**Note 9: Participation in KPERS Pension Plan (Continued)**

**Net Pension Liability (June 30, 2021)**

The components of the collective net pension liability of the participating employers by each group at June 30, 2021, were as follows:

| | Total Pension Liability | Less Fiduciary Net Position | Net Pension Liability |
|---|---|---|---|
| State/School | $ 22,490,931,300 | $ 16,856,922,061 | $ 5,634,009,239 |
| Local | 6,360,883,973 | 5,160,927,769 | 1,199,956,204 |
| Police & Firemen | 3,990,360,545 | 3,036,116,085 | 954,244,460 |
| Judges | 211,869,786 | 200,629,404 | 11,240,382 |
| | $ 33,054,045,604 | $ 25,254,595,319 | $ 7,799,450,285 |

The Library's proportionate share of the local group net pension liability at June 30, 2021 was determined as follows:

| | |
|---|---|
| Library contributions | $ 185,644 |
| Local Group contributions | 168,488,278 |
| Library's percentage of Local Group contributions | .110182% |
| Total net pension liability of the Local Group | 1,199,956,204 |
| Library's proportionate share of the net pension liability | $ 1,322,136 |

**Net Pension Liability (June 30, 2020)**

The components of the collective net pension liability of the participating employers by each group at June 30, 2020, were as follows:

| | Total Pension Liability | Less Fiduciary Net Position | Net Pension Liability |
|---|---|---|---|
| State/School | $ 21,231,215,202 | $ 13,759,282,718 | $ 7,471,932,484 |
| Local | 5,931,407,823 | 4,197,753,841 | 1,733,653,982 |
| Police & Firemen | 3,715,609,163 | 2,482,472,216 | 1,233,136,947 |
| Judges | 202,206,885 | 167,365,230 | 34,841,655 |
| | $ 31,080,439,073 | $ 20,606,874,005 | $ 10,473,565,068 |

The Library's proportionate share of the local group net pension liability at June 30, 2020 was determined as follows:

| | |
|---|---|
| Library contributions | $ 190,265 |
| Local Group contributions | 165,231,118 |
| Library's percentage of Local Group contributions | .115151% |
| Total net pension liability of the Local Group | 1,733,653,982 |
| Library's proportionate share of the net pension liability | $ 1,996,320 |

**Receivables**

In addition to statutorily determined contractually required contributions, certain agencies also make payments through an additional component of their required employer contribution rate or annual installment payments. Both options include interest at 8 percent per year, for the cost of service credits granted retroactively when the agency initially joined the Retirement System. As of June 30, 2021 and 2020, the outstanding balance owed by agencies to the KPERS plan was $3,408,088 and $3,845,439, respectively. No portion of these amounts was owed by the Library.

These payments are due over various time periods up through December 31, 2032. The 2016 Legislature passed Senate Bill 161 authorizing the delay of $64.1 million in Fiscal Year 2017 contributions. Repayment is

**Note 9: Participation in KPERS Pension Plan (Continued)**

**Receivables (Continued)**

scheduled to be made in a series of twenty annual payments of $6.4 million which began in Fiscal Year 2019. Senate Sub for HB 2002 authorized the delay of $194 million in Fiscal Year 2019 school contributions.

Repayment is scheduled to be made in a series of twenty annual payments of $19.4 million beginning in Fiscal Year 2020. These amounts have been set up as receivables, the balance at June 30, 2021 and 2020 was $242,903,822 and 249,338,993, respectively. The implicit interest rate for these receivables is the assumed investment rate of return, 7.75%.

**Actuarial Assumptions**

Each total pension liability was determined by an actuarial valuation as of the previous December 31, which was rolled forward to June 30, using the following actuarial assumptions, applied to all periods included in the measurement:

| | June 30, 2021 | June 30, 2020 |
|---|---|---|
| Actuarial Cost Method | Entry age normal | Entry age normal |
| Price Inflation | 2.75 percent | 2.75 percent |
| Salary Increase | 3.50 to 12.00 percent, including price inflation | 3.25 to 11.75 percent, including price inflation |
| Investment Rate of Return | 7.25 percent compounded annually, net of investment expense and price inflation | 7.50 percent compounded annually, net of investment expense and 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 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. Best estimates of arithmetic real rates of return for each major asset class as of the most recent experience study, dated January 7, 2020, as provided by KPERS' investment consultant, are summarized in the following table:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Long-Term Target Allocation | Long-Term Expected Real Rate of Return | Long-Term Target Allocation | Long-Term Expected Real Rate of Return |
| U.S. Equities | 23.50% | 5.20% | 23.50% | 5.20% |
| Non-U.S. Equities | 23.50 | 6.40 | 23.50 | 6.40 |
| Private Equity | 8.00 | 9.50 | 8.00 | 9.50 |
| Private Real Estate | 11.00 | 4.45 | 11.00 | 4.45 |
| Yield Driven | 8.00 | 4.70 | 8.00 | 4.70 |
| Real Return | 11.00 | 3.25 | 11.00 | 3.25 |
| Fixed Income | 11.00 | 1.55 | 11.00 | 1.55 |
| Short Term Investments | 4.00 | 0.25 | 4.00 | 0.25 |
| | 100.00% | | 100.00% | |

**Note 9: Participation in KPERS Pension Plan (Continued)**

**Discount Rate**

The discount rate used to measure the total pension liability at each measurement date of June 30, 2021 and 2020 was 7.25 and 7.50 percent, respectively. The discount rate used to measure total pension liability at the prior measurement date of June 30, 2019 was 7.75 percent. The actuarial assumptions used in the calculation of each total pension liability were based on the results of the most recent actuarial experience study. It covered the three-year period of January 1, 2016 through December 31, 2018 and was dated January 7, 2020.

The projection of cash flows used to determine the discount rate was based on member and employer contributions. 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 KPERS may not increase by more than the statutory cap. The statutory cap for Fiscal Years 2021 and 2020 was 1.2 percent.

In recent years, the Kansas 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 SB 4, 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 in the 2016 session (SB 161) provided for the delay of up to $100 million in State and School contributions to the Pension Plan. Legislation passed by the 2017 Legislature removed the repayment provisions included in SB 161.

In addition, 2017 Senate Sub for Sub HB 2052 delayed $64.1 million in Fiscal Year 2017 State/School contributions, to be repaid over 20 years in level dollar installments. The first payment of $6.4 million was paid in full at the beginning of Fiscal Year 2018, and appropriations for Fiscal Year 2018 were made at the statutory contribution rate of 12.01 percent for the State/School group. Additional legislation in the 2017 Session (Senate 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 receivables by the KPERS pension plan. The 2018 Legislature passed House Sub for Sen Bill 109, which directed on-behalf payments of $56 million in Fiscal Year 2018 and $82 million in Fiscal Year 2019. The 2019 Legislative session passed Senate Bill 9 which provided additional contributions to the KPERS School Group of $115 million in Fiscal Year 2019. House Sub for Senate Bill 25 from the 2019 Legislative session authorized additional funding for the KPERS School group in Fiscal Year 2020 of $51 million.

The 2021 Legislature passed House Bill 2405, which authorizes the state of Kansas to issue bonds with net proceeds of $500 million to fund a portion of the School group's unfunded actuarial liability, assuming certain criteria are met. As a result, the State/School contribution rate was recertified for Fiscal Years 2022 and 2023, lowering the rates respectively to 13.86 and 13.11 percent. The bond proceeds were received on August 26, 2021, and were reflected in the projected cash flows.

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 at some point in the future. 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. The statutory contribution rate for the combined State/School group first became equal to the actuarially required rate (ARC rate) in Fiscal Year 2021. Projections based on the same valuation, and an annual return on investments of 7.25 percent, indicate that the contribution rate will remain fairly stable until 2036. The Local, Kansas Police and Firemen, and Judges groups are contributing at the full actuarial contribution rate.

**Note 9: Participation in KPERS Pension Plan (Continued)**

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate (June 30, 2021)**

The following presents the net pension liability of the KPERS pension plan, as well as the Library's proportionate share of the local group net pension liability, as of June 30, 2021, calculated using the discount rate of 7.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25 percent) or 1 percentage point higher (8.25 percent) than the current rate:

| | 1.00% Decrease (6.25%) | 2021 Discount Rate (7.25%) | 1.00% Increase (8.25%) |
|---|---|---|---|
| State/School | $ 8,278,153,106 | $ 5,634,009,239 | $ 3,410,812,605 |
| Local | 1,973,811,456 | 1,199,956,204 | 550,980,523 |
| Police & Firemen | 1,432,229,642 | 954,244,460 | 554,409,747 |
| Judges | 30,739,614 | 11,240,382 | (5,612,848) |
| | $ 11,714,933,818 | $ 7,799,450,285 | $ 4,510,590,027 |
| Library's proportionate share of the local group net pension liability | $ 2,174,785 | $ 1,322,136 | $ 607,081 |

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate (June 30, 2020)**

The following presents the net pension liability of the KPERS pension plan, as well as the Library's proportionate share of the local group net pension liability, as of June 30, 2020, calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate:

| | 1.00% Decrease (6.50%) | 2020 Discount Rate (7.50%) | 1.00% Increase (8.50%) |
|---|---|---|---|
| State/School | $ 9,907,295,373 | $ 7,471,932,484 | $ 5,418,722,502 |
| Local | 2,439,945,028 | 1,733,653,982 | 1,139,847,330 |
| Police & Firemen | 1,687,784,977 | 1,233,136,947 | 853,440,810 |
| Judges | 53,160,721 | 34,841,655 | 18,972,356 |
| | $ 14,088,186,099 | $ 10,473,565,068 | $ 7,430,982,998 |
| Library's proportionate share of the local group net pension liability | $ 2,809,621 | $ 1,996,320 | $ 1,312,546 |

**Note 9: Participation in KPERS Pension Plan (Continued)**

**Special Funding Situation**

The employer contributions for non-public school Library schools, as defined in K.S.A. 74-4931 (2) and (3), are funded by the State of Kansas on behalf of these employers. Therefore, these employers, area vocational technical schools and community junior colleges, are considered to be in a special funding situation as defined by GASB Statement No. 68. The State of Kansas is treated as a nonemployer contributing entity in the System. Since these employers do not contribute directly to the pension plan for active employees, there is no net pension liability or deferred inflows or outflows to report in the financial statements for active employees. The notes to their financial statements must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the non-public school Library employer. In addition, each non-public school Library employer must recognize the pension expense associated with their employer as well as revenue in an amount equal to the nonemployer contributing entities' total proportionate share of the collective pension expense associated with their employer.

A number of these employers make contributions directly to KPERS for KPERS retirees filling KPERS covered positions per K.S.A. 74-4937, "working after retirement" employees. The resulting proportional share of these agencies' "working after retirement" contributions and resulting net pension liability are attributable to the employer.

The Library's participation in the KPERS pension plan is not subject to the special funding situation as described above.

**Deferred Outflows of Resources and Deferred Inflows of Resources**

A summary of the Library's proportionate share of deferred outflows of resources and deferred inflows of resources reported as of December 31, 2021 and 2020, are detailed in the tables below. Experience gains/losses and the impact of changes in actuarial assumptions or other inputs, if any, are recognized over the average expected remaining service life of the active and inactive plan members at the beginning of the measurement period. Investment gains and losses are recognized over a fixed five-year period. Deferrals on the differences between expected and actual earnings on investments are netted as either a deferred outflow or inflow of resources.

| | 2021 | 2020 |
|---|---|---|
| **Deferred Outflows of Resources** | | |
| Differences between expected and actual experience | $ 52,188 | $ 33,332 |
| Net difference between projected and actual earnings on pension plan investments | - | 232,921 |
| Changes in assumptions | 260,264 | 120,245 |
| Changes in proportion | 38,114 | 56,166 |
| Library contributions to the KPERS plan after the measurement date of June 30 | 99,515 | 94,694 |
| **Total Deferred Outflows of Resources** | 450,081 | 537,358 |
| **Deferred Inflows of Resources** | | |
| Differences between expected and actual experience | 11,971 | 25,665 |
| Net difference between projected and actual earnings on pension plan investments | 469,487 | - |
| Changes in proportion | 59,829 | 10,359 |
| **Total Deferred Inflows of Resources** | 541,287 | 36,024 |
| **Net Deferred Outflows (Inflows)** | $ (91,206) | $ 501,334 |

**Note 9: Participation in KPERS Pension Plan (Continued)**

**Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)**

The following table provides the amortization effect of the Library's net deferred outflows (inflows), as of December 31, 2021, that will be recognized in pension expense in future years:

| Future Year | Increase (Decrease) to Pension Expense |
|---|---|
| 2022 | $ 81,255 |
| 2023 | (16,328) |
| 2024 | (39,720) |
| 2025 | (123,209) |
| 2026 | 6,796 |
| | $ (91,206) |

**Pension Expense**

Pension expense includes changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The components of pension expense for the years ending December 31, 2021 and 2020, are as follows:

| | 2021 | 2020 |
|---|---|---|
| Service cost | $ 146,998 | $ 149,214 |
| Interest | 474,874 | 484,113 |
| Projected earnings on plan investments | (343,021) | (371,504) |
| Employee contributions | (127,159) | (130,132) |
| Expensed portion of difference between actual and expected experience in the total pension liability | 6,924 | 7,787 |
| Expensed portion of current period assumption changes | 44,468 | 22,181 |
| Expensed portion of difference between projected and actual earnings on plan investments | (164,644) | 58,008 |
| Administrative expenses | 3,865 | 3,191 |
| Other changes | (610) | (564) |
| Recognition of beginning deferred outflows of resources | 118,256 | 96,311 |
| Recognition of beginning deferred inflows of resources | (47,747) | (54,866) |
| **Total Library Pension Expense** | $ 112,204 | $ 263,739 |

The Library's pension expense is included as a component of personnel services expense on the statement of activities.

## REQUIRED SUPPLEMENTAL INFORMATION

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Measurement date | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 |
| **Schedule of the Library's Proportionate Share of the KPERS Net Pension Liability** | | | | | |
| Library's proportion of the net pension liability | .110182% | .115151% | .114440% | .109046% | .108297% |
| Library's proportionate share of KPERS net pension liability | $ 1,322,136 | $ 1,996,320 | $ 1,599,153 | $ 1,519,872 | $ 1,568,634 |
| Library's covered payroll | 2,275,483 | 2,276,133 | 2,169,581 | 2,092,310 | 2,056,253 |
| Library's proportionate share of KPERS net pension liability as a percentage of the Library's covered payroll | 58.10% | 87.71% | 73.71% | 72.64% | 76.29% |
| KPERS fiduciary net position as a percentage of the total pension liability | 76.40% | 66.30% | 69.88% | 68.88% | 67.12% |
| **Schedule of Library Contributions to KPERS** | | | | | |
| Contractually required Library contributions | $ 185,644 | $ 190,265 | $ 182,805 | $ 164,434 | $ 169,394 |
| Contributions in relation to the contractually required amount | 185,644 | 190,265 | 182,805 | 164,434 | 169,394 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| Library's covered payroll | $ 2,275,483 | $ 2,276,133 | $ 2,169,581 | $ 2,092,310 | $ 2,056,253 |
| Contributions as a percentage of covered payroll | 8.16% | 8.36% | 8.43% | 7.86% | 8.24% |

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| Measurement date | June 30, 2016 | June 30, 2015 | June 30, 2014 | See Note Below | See Note Below |
| **Schedule of the Library's Proportionate Share of the KPERS Net Pension Liability** | | | | | |
| Library's proportion of the net pension liability | .110957% | .111399% | .107776% | .106653% | Not Available |
| Library's proportionate share of KPERS net pension liability | $ 1,716,538 | $ 1,462,718 | $ 1,326,521 | $ 1,623,345 | Not Available |
| Library's covered payroll | 2,031,764 | 1,987,674 | 1,901,086 | 1,838,535 | 1,810,849 |
| Library's proportionate share of KPERS net pension liability as a percentage of the Library's covered payroll | 77.84% | 68.52% | 65.17% | Not Available | Not Available |
| KPERS fiduciary net position as a percentage of the total pension liability | 65.10% | 64.95% | 66.60% | 59.94% | Not Available |
| **Schedule of Library Contributions to KPERS** | | | | | |
| Contractually required Library contributions | $ 177,487 | $ 170,355 | $ 148,402 | $ 131,273 | $ 116,573 |
| Contributions in relation to the contractually required amount | 37,861 | 35,662 | 34,011 | 29,758 | 32,642 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| Library's covered payroll | $ 470,391 | $ 446,856 | $ 466,459 | $ 465,724 | $ 458,545 |
| Contributions as a percentage of covered payroll | 8.05% | 7.98% | 7.29% | 6.39% | 7.12% |

**Note to the Schedules Above**

Because KPERS first began compiling the required information in 2014, the Library is only able to present complete information for the last 8 years. Some of the 2013 and 2012 required amounts are available and so these figures have been presented. In each of the next two years, the Library intends to add an additional year of complete historical data to the schedule in order to comply with the GASB requirement of presenting the last 10 fiscal years in full detail.

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