

**GRANT COUNTY
LIBRARY
FINANCIAL STATEMENT
FOR THE YEAR ENDED
DECEMBER 31, 2018**

**GRANT COUNTY LIBRARY
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For the Year Ended December 31, 2018**

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Dirks, Anthony & Duncan, LLC

Certified Public Accountants & Management Consultants

104 N. Main / P.O. Box 885 / Ulysses, KS 67880 / Phone: (620) 356-4951 / Fax: (620) 353-1018

INDEPENDENT AUDITOR'S REPORT

Library Board
Grant County Library
Ulysses, KS

We have audited the accompanying summary statement of receipts, expenditures, and unencumbered cash of the Grant County Library, a Municipality as of and for the year ended December 31, 2018 and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide, as described in Note 1; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. 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*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 to the financial statement, the financial statement is prepared by the Grant County Library on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects of the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Grant County Library as of December 31, 2018, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

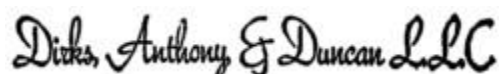
In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Grant County Library as of December 31, 2018, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedules 1 and 2, as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the Grant County Library, Kansas as of and for the year ended December 31, 2017, and have issued our report thereon dated June 21, 2018, which contained an unmodified opinion on the basic financial statement. The 2017 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <http://admin.ks.gov/offices/chief-financial-officer/municipal-services>. The 2017 actual column (2017 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures – actual and budget for the year ended December 31, 2017 (Schedule 2 as listed in the table of contents) is presented for the purposes of additional analysis and is not a required part of the basic financial statement. Such 2017 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2017 basic financial statement. The 2017 comparative information was subjected to the auditing procedures applied in the audit of the 2017 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2017 basic financial statement or to the 2017 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2017 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended December 31, 2017, on the basis of accounting described in Note 1.



DIRKS, ANTHONY & DUNCAN, LLC
Certified Public Accountants

June 7, 2019

GRANT COUNTY LIBRARY
Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2018

Funds	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add: Outstanding Encumbrances Payable	Ending Cash Balance
<u>General Fund:</u>						
General Fund	\$ 457,585	\$ 387,898	\$ 402,998	\$ 442,485	-	\$ 442,485
<u>Special Purpose Funds:</u>						
Employee Benefits Fund	192,751	114,115	82,673	224,193	-	224,193
Building Fund	33,784	49	4,485	29,348	-	29,348
State Aid Fund	<u>-</u>	<u>2,194</u>	<u>2,194</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Reporting Entity	<u>\$ 684,119</u>	<u>\$ 504,255</u>	<u>\$ 492,350</u>	<u>\$ 696,025</u>	<u>\$ -</u>	<u>\$ 696,025</u>

Composition of Cash:

Grant County Bank	
Checking Account	\$ 324,324
Building Fund	19,250
Certificate of Deposits	285,250
First National Bank	
Money Market Account	67,106
Cash on Hand	<u>95</u>
Total Reporting Entity	<u>\$ 696,025</u>

The notes to the financial statement are an integral part of this statement.

GRANT COUNTY LIBRARY
Notes to the Financial Statement
December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Financial Reporting Entity

The Grant County Library is a municipality of the State of Kansas organized under K.S.A. 12-1219, with a five-member Board appointed by the Grant County Commissioners. The Library is a component unit of Grant County, Kansas, as determined under Government Accounting Standards Board (GASB) Standard No 14. The Grant County Library has no related municipal entities.

b) Regulatory Basis Fund Types

General Fund - the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose Fund - used to account for the proceeds of specific tax levies and other specific regulatory receipt sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Bond and Interest Fund - used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

Capital Project Fund – used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

Business Fund - funds financed in whole or in part by fees charged to users of the goods or services (i.e. enterprise and internal service fund, etc.)

Trust Fund – funds used to report assets held in trust for the benefit of the municipal financial reporting entity (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipal reporting entity, scholarship funds, etc.)

Agency Fund – funds used to report assets held by the municipal reporting entity in a purely custodial capacity (payroll clearing fund, county treasurer tax collection accounts, etc.).

c) Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The Kansas Municipal Audit and Accounting Guide (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The Library has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Library to use the regulatory basis of accounting.

d) Budgetary Information

The Library does not levy taxes, and therefore, is not required to publish a legal operating budget. However, a budget is prepared and used for the purpose of administrative control.

GRANT COUNTY LIBRARY
Notes to the Financial Statement
December 31, 2018

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

General Fund over spent its approved budget by \$14,213. Due to the nature described in Note 1d, this does not constitute a budget violation (K.S.A. 79-2935).

No statute violations were noted for the year ending December 31, 2018.

NOTE 3 – DEPOSITS AND INVESTMENTS

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 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. All deposits were legally secured at December 31, 2018.

At December 31, 2018, the carrying amount of the Library's deposits, including certificates of deposit, was \$696,025 and the bank balance was \$707,817. The bank balance was held by two (2) banks resulting in a concentration of credit risk. Of the bank balance, \$317,106 was covered by federal depository insurance, and the remaining \$390,711 was collateralized with securities held by the pledging financial institutions' agents in the Library's name.

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 4 – DEFINED BENEFIT 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.

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or before July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contribution are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

GRANT COUNTY LIBRARY
Notes to the Financial Statement
December 31, 2018

NOTE 4 – DEFINED BENEFIT PENSION PLAN (CONT.)

State law provides that the employer contribution rates for KPERS 1 and KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate for the Death and Disability Program) and the statutory contribution rate was 8.39% for the fiscal year ended December 31, 2018. Contributions to the pension plan from the Library were \$16,068 for the year ended December 31, 2018.

Net Pension Liability

At December 31, 2018, the Library's proportionate share of the collective net pension liability reported by KPERS was \$147,087. 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 December 31, 2017, which was rolled forward to June 30, 2018. The Library's proportion of the net pension liability was based on the ratio of the Library's contributions to KPERS, relative to the total employer and non-employer contribution of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website www.kpers.org or can be obtained as described above.

NOTE 5 – OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

a) Other Post-Employment Benefits

As provided by K.S.A. 12-5040, the Library allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the Library is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Library makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

b) Death and Disability Other Post-Employment Benefit

As provided by K.S.A. 74-4927, disable members in the Kansas Public Employees Retirement System (KPERS) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payment. The employer contribution rate is set at 1% for the year ended December 31, 2018.

c) Other Employee Benefits

Compensated Absences. Vacation and sick leave are earned and credited according to a table in the employee policy handbook. Employees may accrue up to 60 days of sick leave. Sick leave is earned by computing the average hours worked per week divided by 5. The amount of unused sick leave at December 31, 2017 is \$2,816 in wages and \$215 in employee benefits. The amount of unused sick leave at December 31, 2017 is \$2,971 in wages and \$225 in employee benefits. Vacation pay not taken at year end is not carried over to the next year per the policy handbook.

NOTE 6 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of this report. Management's evaluation concluded that there are no subsequent events that are required to be recognized or disclosed in this financial statement.

GRANT COUNTY LIBRARY

**REGULATORY-REQUIRED
SUPPLEMENTARY INFORMATION**

GRANT COUNTY LIBRARY
Summary of Expenditures - Actual and Budget
Regulatory Basis
(Budgeted Funds Only)
For the Year Ended December 31, 2018

<u>Funds</u>	<u>Adopted Budget</u>	<u>Expenditures Chargeable to Current Year Budget</u>	<u>Variance Over (Under)</u>
<u>General Fund:</u>			
General Fund	\$ 388,785	\$ 402,998	\$ 14,213
<u>Special Purpose Fund:</u>			
Employee Benefits Fund	114,242	82,673	(31,569)

GRANT COUNTY LIBRARY
General Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2018
(With Comparative Actual Amounts for the Prior Year Ended December 31, 2017)

		2018		Variance- Over Under
	2017 Actual	Actual	Budget	(Under)
Receipts				
Appropriations	\$ 351,273	\$ 375,083	\$ 375,083	\$ -
Librarian Collections/Miscellaneous	12,498	7,406	-	7,406
Interest on Idle Funds Invested	4,728	5,408	-	5,408
Total Receipts	<u>368,499</u>	<u>387,898</u>	<u>\$ 375,083</u>	<u>\$ 12,815</u>
Expenditures				
Salaries	204,913	218,636	212,453	6,183
Books	22,906	32,597	25,000	7,597
Periodicals	3,629	2,430	2,000	430
Supplies and Office Expense	14,273	12,865	15,000	(2,135)
Repairs and Maintenance	21,202	38,027	25,000	13,027
Utilities and Telephone	24,656	26,552	30,000	(3,448)
Equipment and Improvements	2,788	8,624	13,299	(4,675)
Insurance and Bonds	10,189	9,912	9,500	412
Miscellaneous/Audit	7,823	7,106	8,313	(1,207)
Travel and Continuing Education	361	255	500	(245)
Audio-Visual	12,993	12,622	14,348	(1,727)
Systems	33,073	33,371	33,371	-
Total Expenditures	<u>358,806</u>	<u>402,998</u>	<u>\$ 388,785</u>	<u>14,213</u>
Receipts Over (Under) Expenditures	9,693	(15,100)		<u>\$ (1,398)</u>
Unencumbered Cash, January 1	<u>447,892</u>	<u>457,585</u>		
Unencumbered Cash, December 31	<u>\$ 457,585</u>	<u>\$ 442,485</u>		

GRANT COUNTY LIBRARY
Employee Benefits Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2018
(With Comparative Actual Amounts for the Prior Year Ended December 31, 2017)

		2018		Variance- Over (Under)
	2017 Actual	Actual	Budget	
Receipts				
Appropriations	\$ 116,533	\$ 114,115	\$ 114,115	\$ -
Total Receipts	<u>116,533</u>	<u>114,115</u>	<u>\$ 114,115</u>	<u>\$ -</u>
Expenditures				
Social Security/Medicare	15,676	15,627	16,050	(422)
KPERS	16,626	3,696	18,501	(14,805)
Kansas Unemployment	301	301	210	91
Health Insurance/Life	55,926	62,478	77,117	(14,639)
Workmen's Compensation	630	572	1,200	(628)
Delinquency Rate	<u>-</u>	<u>-</u>	<u>1,165</u>	<u>(1,165)</u>
Total Expenditures	<u>89,159</u>	<u>82,673</u>	<u>\$ 114,242</u>	<u>(31,568)</u>
Receipts Over (Under) Expenditures	27,374	31,442		<u>\$ 31,568</u>
Unencumbered Cash, January 1	<u>165,377</u>	<u>192,751</u>		
Unencumbered Cash, December 31	<u>\$ 192,751</u>	<u>\$ 224,193</u>		

GRANT COUNTY LIBRARY
 Building Fund
 Schedule of Receipts and Expenditures
 Regulatory Basis
 For the Year Ended December 31, 2018
 (With Comparative Actual Amounts for the Prior Year Ended December 31, 2017)

	<u>2017</u>	<u>2018</u>
Receipts		
Interest on Idle Funds Invested	\$ 67	\$ 49
Total Receipts	<u>67</u>	<u>49</u>
Expenditures		
Capital Outlay	<u>12,806</u>	<u>4,485</u>
Total Expenditures	<u>12,806</u>	<u>4,485</u>
Receipts Over (Under) Expenditures	(12,739)	(4,436)
Unencumbered Cash, January 1	<u>46,523</u>	<u>33,784</u>
Unencumbered Cash, December 31	<u>\$ 33,784</u>	<u>\$ 29,348</u>

GRANT COUNTY LIBRARY
State Aid Fund
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2018
(With Comparative Actual Amounts for the Prior Year Ended December 31, 2017)

	<u>2017</u>	<u>2018</u>
Receipts		
State Aid	\$ 2,332	\$ 2,194
	<u>2,332</u>	<u>2,194</u>
Total Receipts	<u>2,332</u>	<u>2,194</u>
Expenditures		
Books/Periodicals	<u>2,332</u>	<u>2,194</u>
	<u>2,332</u>	<u>2,194</u>
Total Expenditures	<u>2,332</u>	<u>2,194</u>
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, January 1	<u>-</u>	<u>-</u>
Unencumbered Cash, December 31	<u>\$ -</u>	<u>\$ -</u>