

NORTH CENTRAL KANSAS LIBRARIES SYSTEM

Manhattan, Kansas

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

For the Year Ended December 31, 2020

VARNEY & ASSOCIATES, CPAs, LLC
Manhattan, Kansas

NORTH CENTRAL KANSAS LIBRARIES SYSTEM

Manhattan, Kansas
As of December 31, 2020

EXECUTIVE COMMITTEE

Alisha Paddock
Carolyn Elliott
Janice Lyhane
Judith Cremer
Judy Goodrich
Mary White
Nikki Plankinton
Robin Ottoson
Shanda Cramer
Shannon Reid-Wheat
Sharon Peirce
Susan Davis
Susan Moyer
Wendy Moulton

OFFICERS

President - Judith Cremer
Vice-President - Susan Davis
Secretary - Treasurer - Mary White

DIRECTOR

Linda Knupp

NORTH CENTRAL KANSAS LIBRARIES SYSTEM

Manhattan, Kansas

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For the Year Ended December 31, 2020

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May 19, 2021

Executive Committee
North Central Kansas Libraries System
Manhattan, Kansas

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Central Kansas Libraries System (the Libraries System), as of and for the year ended December 31, 2020, which collectively comprise the Libraries System's basic financial statements and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Libraries System, as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Varyney & Associates, CPAs, LLC

Certified Public Accountants
Manhattan, Kansas

NORTH CENTRAL KANSAS LIBRARIES SYSTEM
 Manhattan, Kansas
MANAGEMENT DISCUSSION AND ANALYSIS
 For the Year Ended December 31, 2020

General Information

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

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

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

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

Financial Analysis of the Libraries System as a Whole

The following significant changes in net position occurred during 2020:

- *Current Assets.* Current assets increased by \$187,000 which is primarily related to increased operating surplus.

The following table is presented for comparative analysis of the Libraries System government-wide net position:

| | 2020 | 2019 |
|---|---------------------|---------------------|
| Assets | | |
| Current assets | \$ 2,063,000 | \$ 1,868,000 |
| Capital assets - Net | 37,000 | 45,000 |
| Total Assets | \$ 2,100,000 | \$ 1,913,000 |
| Liabilities | | |
| Long-term liabilities | \$ 29,000 | \$ 28,000 |
| Deferred Inflows of Resources | | |
| Unavailable revenue - Property taxes | \$ 1,217,000 | \$ 1,206,000 |
| Net Position | | |
| Investment in capital assets | \$ 37,000 | \$ 45,000 |
| Restricted | 48,000 | 47,000 |
| Unrestricted | 768,000 | 587,000 |
| Total Net Position | \$ 854,000 | \$ 679,000 |
| Total Liabilities, Deferred Inflows and Net Position | \$ 2,100,000 | \$ 1,913,000 |

The Libraries System government-wide net position increased by approximately \$174,000 during the year ended December 31, 2020. This change is consistent with the increase in net position for 2019. Both years increase are attributable primarily to budgeting general operations, namely property tax revenues, in excess of budgeted levels.

NORTH CENTRAL KANSAS LIBRARIES SYSTEM
Manhattan, Kansas
MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2020

Financial Analysis of the Libraries System as a Whole (Continued)

The following table is presented for comparative analysis of the Libraries System government-wide changes in net position:

| | 2020 | 2019 |
|-----------------------------------|------------------------------|------------------------------|
| Revenue | | |
| Program revenues | \$ 146,000 | \$ 149,000 |
| General revenues | 1,217,000 | 1,200,000 |
| Total Revenue | <u>\$ 1,363,000</u> | <u>\$ 1,349,000</u> |
| Expenses | <u>1,189,000</u> | <u>1,186,000</u> |
| Change in Net Position | <u><u>\$ 174,000</u></u> | <u><u>\$ 163,000</u></u> |

Financial Analysis of Funds within the Libraries System

The library is primarily funded through property tax levied by the City of Manhattan, Kansas each year. Additional funding is available from service charges, grants, gifts and endowments. Property valuations remained stable.

There was no increase in the General Fund or the Employment Benefit Fund in 2020 from 2019.

Funding for Grants, Fines, Fees and Interest decreased by \$50,000. In 2020 the library lost revenue in fines and fees during closure and waived overdue charges. Moving forward, the Board of Trustees voted to discontinue the practice of collecting overdue fines. Although this will reduce income, the cost of collecting and handling fines and goodwill will likely outweigh the costs.

Support from the Manhattan Library remains strong. Fundraising efforts from the Manhattan Library Association for used book sales were not possible for three quarters of 2020. This will also impact revenue in the first half of 2021.

Factors Bearing on the Future of the Libraries System

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

- In 2020 the library completed the 4th year of 10 for payment of the expansion bond. Six years remain at approximately \$133,500 per year.
- In 2021, the last payment of \$25,471 will complete the library's obligation to the City of Manhattan for the 2011 Facilities Conservation Improvement Project.
- The care and upkeep of the facility, that includes different additions constructed in different years, presents challenges and requires reserve funds in the capital improvement fund as well as in the endowment fund.

Requests for Information

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

NCKLS Office
629 Poyntz Avenue
Manhattan, KS 66502

NORTH CENTRAL KANSAS LIBRARIES SYSTEM
Manhattan, Kansas
STATEMENT OF NET POSITION
December 31, 2020

ASSETS

Assets

| | |
|---------------------------|----------------------------|
| Cash and cash equivalents | \$ 844,186 |
| Taxes receivable | 1,216,600 |
| Prepaid expense | 2,125 |
| Capital assets - Net | 36,695 |
| TOTAL ASSETS | <u>\$ 2,099,606</u> |

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Liabilities

| | |
|--------------------------|-------------------------|
| Accounts payable | \$ 424 |
| Compensated absences | 29,137 |
| Total Liabilities | <u>\$ 29,561</u> |

Deferred Inflows of Resources

| | |
|--------------------------------------|---------------------|
| Unavailable revenue - Property taxes | <u>\$ 1,216,600</u> |
|--------------------------------------|---------------------|

Net Position

| | |
|------------------------------|--------------------------|
| Investment in capital assets | \$ 36,695 |
| Restricted | 48,498 |
| Unrestricted | 768,252 |
| Total Net Position | <u>\$ 853,445</u> |

TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION

| |
|----------------------------|
| <u>\$ 2,099,606</u> |
|----------------------------|

NORTH CENTRAL KANSAS LIBRARIES SYSTEM

Manhattan, Kansas

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020

Expenses

| | |
|-------------------------|---------------------|
| Library Operations | |
| Personnel services | \$ 707,315 |
| Commodities | 132,987 |
| Contractual services | 180,971 |
| Grants issued to others | 156,264 |
| Depreciation | 11,365 |
| Total Expenses | <u>\$ 1,188,902</u> |

Program Revenues

| | |
|------------------------------------|-------------------|
| Charges for services | \$ 4,960 |
| Operating grants and contributions | 141,459 |
| Total Program Revenues | <u>\$ 146,419</u> |

Net Program Expenses

\$ 1,042,483

General Revenues

| | |
|-------------------------------|---------------------|
| Property taxes | \$ 1,212,563 |
| Interest | 4,101 |
| Total General Revenues | <u>\$ 1,216,664</u> |

Change in Net Position

\$ 174,181

NET POSITION - BEGINNING

679,264

NET POSITION - ENDING

\$ 853,445

NORTH CENTRAL KANSAS LIBRARIES SYSTEM
 Manhattan, Kansas
BALANCE SHEET - GOVERNMENTAL FUNDS
 December 31, 2020

| | <u>General Fund</u> | <u>Employee</u> | <u>Capital</u> | <u>State Aid Fund</u> | <u>Other Governmental Funds</u> | <u>Total</u> |
|--|---------------------|-------------------|-------------------|-----------------------|---|---------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 395,955 | \$ 78,499 | \$ 307,519 | \$ - | \$ 62,213 | \$ 844,186 |
| Taxes receivable | 990,000 | 226,600 | - | - | - | 1,216,600 |
| Prepaid expense | 2,125 | - | - | - | - | 2,125 |
| Total Assets | <u>\$ 1,388,080</u> | <u>\$ 305,099</u> | <u>\$ 307,519</u> | <u>\$ -</u> | <u>\$ 62,213</u> | <u>\$ 2,062,911</u> |
| LIABILITIES | | | | | | |
| Accounts payable | \$ 424 | \$ - | \$ - | \$ - | \$ - | \$ 424 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable revenue - Property taxes | \$ 990,000 | \$ 226,600 | \$ - | \$ - | \$ - | \$ 1,216,600 |
| Fund Balance | | | | | | |
| Restricted | \$ - | \$ - | \$ - | \$ - | \$ 62,213 | \$ 62,213 |
| Assigned | - | 78,499 | 307,519 | - | - | 386,018 |
| Unassigned | 397,656 | - | - | - | - | 397,656 |
| Total Fund Balance | <u>\$ 397,656</u> | <u>\$ 78,499</u> | <u>\$ 307,519</u> | <u>\$ -</u> | <u>\$ 62,213</u> | <u>\$ 845,887</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE | <u>\$ 1,388,080</u> | <u>\$ 305,099</u> | <u>\$ 307,519</u> | <u>\$ -</u> | <u>\$ 62,213</u> | <u>\$ 2,062,911</u> |
| Total Fund Balance - Modified Accrual Basis | | | | | | \$ 845,887 |
| Amounts reported in the statement of net position are different because: | | | | | | |
| Capital assets are not financial resources and are not reported in the funds | | | | | | 36,695 |
| Compensated absences are included as a liability | | | | | | <u>(29,137)</u> |
| Net Position of Primary Government - Full Accrual Basis | | | | | | <u>\$ 853,445</u> |

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

NORTH CENTRAL KANSAS LIBRARIES SYSTEM
Manhattan, Kansas
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2020

| | General Fund | Employee Benefit Fund | Capital Improvement Fund | State Aid Fund | Other Governmental Funds | Total |
|---|-------------------------|--------------------------------------|---|---------------------------|---|---------------------|
| Revenue | | | | | | |
| Property taxes | \$ 1,023,555 | \$ 189,008 | \$ - | \$ - | \$ - | \$ 1,212,563 |
| Charges for services | 4,960 | - | - | - | - | 4,960 |
| Intergovernmental | 13,200 | - | - | 50,227 | 78,032 | 141,459 |
| Interest | 4,101 | - | - | - | - | 4,101 |
| Total Revenue | \$ 1,045,816 | \$ 189,008 | \$ - | \$ 50,227 | \$ 78,032 | \$ 1,363,083 |
| Expenditures | | | | | | |
| Personnel services | \$ 504,351 | \$ 202,035 | \$ - | \$ - | \$ - | \$ 706,386 |
| Commodities | 18,443 | - | - | 50,227 | 64,317 | 132,987 |
| Contractual services | 147,254 | - | - | - | - | 147,254 |
| Grants issued to others | 156,264 | - | - | - | - | 156,264 |
| Capital outlay | 36,617 | - | - | - | - | 36,617 |
| Total Expenditures | \$ 862,929 | \$ 202,035 | \$ - | \$ 50,227 | \$ 64,317 | \$ 1,179,508 |
| Excess (Deficiency) of Revenue Over Expenditures | \$ 182,887 | \$ (13,027) | \$ - | \$ - | \$ 13,715 | \$ 183,575 |
| Other Financing Sources (Uses) | | | | | | |
| Transfers in | \$ - | \$ - | \$ 25,000 | \$ - | \$ - | \$ 25,000 |
| Transfers out | (25,000) | - | - | - | - | (25,000) |
| Total Other Financing Sources (Uses) | \$ (25,000) | \$ - | \$ 25,000 | \$ - | \$ - | \$ - |

(Continued)

NORTH CENTRAL KANSAS LIBRARIES SYSTEM
 Manhattan, Kansas
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)
 For the Year Ended December 31, 2020

| | <u>General Fund</u> | <u>Employee Benefit Fund</u> | <u>Capital Improvement Fund</u> | <u>State Aid Fund</u> | <u>Other Governmental Funds</u> | <u>Total</u> |
|-----------------------------------|--------------------------|--------------------------------------|---|---------------------------|---|--------------------------|
| Net Change in Fund Balance | \$ 157,887 | \$ (13,027) | \$ 25,000 | \$ - | \$ 13,715 | \$ 183,575 |
| FUND BALANCE - BEGINNING | <u>239,769</u> | <u>91,526</u> | <u>282,519</u> | <u>-</u> | <u>48,498</u> | <u>662,312</u> |
| FUND BALANCE - ENDING | <u><u>\$ 397,656</u></u> | <u><u>\$ 78,499</u></u> | <u><u>\$ 307,519</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 62,213</u></u> | <u><u>\$ 845,887</u></u> |

| | |
|---|---------------------|
| Net Change in Fund Balances - Modified Accrual Basis | <u><u>Total</u></u> |
| | \$ 183,575 |

Amounts reported in the statement of activities are different because:

Capital outlays are reported as expenditures in the funds but are recorded as capital assets with an annual charge to depreciation expense at the government wide reporting level

| | |
|-----------------------------|----------|
| Capital outlay expenditures | 2,900 |
| Depreciation expense | (11,365) |

| | |
|--|--------------|
| Changes in the liability for compensated absence are reported as adjustments to expense at the government wide reporting level but are not reported in the funds | <u>(929)</u> |
|--|--------------|

| | |
|--|--------------------------|
| Change in Net Position of Primary Government - Full Accrual Basis | <u><u>\$ 174,181</u></u> |
|--|--------------------------|

NORTH CENTRAL KANSAS LIBRARIES SYSTEM
 Manhattan, Kansas
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
 For the Year Ended December 31, 2020

| | General Fund | | | Employee Benefits | | |
|--|---------------------|---------------------|--|--------------------|-------------------|--|
| | Budget | Actual | Favorable (Unfavorable) Variance | Budget | Actual | Favorable (Unfavorable) Variance |
| REVENUE | | | | | | |
| Property taxes | \$ 1,022,781 | \$ 1,023,555 | \$ 774 | \$ 187,418 | \$ 189,008 | \$ 1,590 |
| Charges for services | 4,500 | 4,960 | 460 | - | - | - |
| Intergovernmental | 13,000 | 13,200 | 200 | - | - | - |
| Interest | 8,000 | 4,101 | (3,899) | - | - | - |
| Total Revenue | <u>\$ 1,048,281</u> | <u>\$ 1,045,816</u> | <u>\$ (2,465)</u> | <u>\$ 187,418</u> | <u>\$ 189,008</u> | <u>\$ 1,590</u> |
| EXPENDITURES | | | | | | |
| Personnel services | \$ 550,000 | \$ 504,351 | \$ 45,649 | \$ 235,000 | \$ 202,035 | \$ 32,965 |
| Commodities | 126,500 | 20,621 | 105,879 | - | - | - |
| Contractual services | 168,910 | 147,254 | 21,656 | - | - | - |
| Grants issued to others | 233,654 | 156,264 | 77,390 | - | - | - |
| Capital outlay | 50,000 | 36,617 | 13,383 | - | - | - |
| Transfer | 85,000 | 25,000 | 60,000 | - | - | - |
| Total Expenditures | <u>\$ 1,214,064</u> | <u>\$ 890,107</u> | <u>\$ 323,957</u> | <u>\$ 235,000</u> | <u>\$ 202,035</u> | <u>\$ 32,965</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | \$ (165,783) | \$ 155,709 | <u>\$ 321,492</u> | \$ (47,582) | \$ (13,027) | <u>\$ 34,555</u> |
| FUND BALANCE - BEGINNING OF YEAR | (121,538) | 239,769 | | 32,688 | 91,526 | |
| FUND BALANCE - END OF YEAR | <u>\$ (287,321)</u> | \$ 395,478 | | <u>\$ (14,894)</u> | \$ 78,499 | |
| ADJUSTMENTS TO GAAP - PREPAID EXPENSES | | 2,125 | | | - | |
| ADJUSTMENTS TO GAAP - ENCUMBRANCES | | <u>53</u> | | | <u>-</u> | |
| FUND BALANCE - GAAP BASIS | | <u>\$ 397,656</u> | | | <u>\$ 78,499</u> | |

NORTH CENTRAL KANSAS LIBRARIES SYSTEM
Manhattan, Kansas
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

Note 1: Summary of Significant Accounting Policies

Reporting Entity

The North Central Kansas Libraries System (the Libraries System) is a municipal entity established by the State of Kansas and governed by an appointed board. The Libraries System is primarily funded through tax levies, grants, and fees. Revenue is used to assist participating libraries in staffing and providing programs and services. The accompanying general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

NORTH CENTRAL KANSAS LIBRARIES SYSTEM
Manhattan, Kansas
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

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

Fund Financial Statements

The Libraries System reports the following major governmental funds:

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

The Employee Benefits Fund is a special revenue fund used to account for all employee benefits of the Libraries System.

Capital Improvement Fund is a special revenue fund used to account for all capital improvement expenditures to improve the Libraries System.

The State Aid Fund is a special revenue fund used to account for state support and items to support operation of the Libraries System.

The other aggregate non-major funds of the Libraries System account for various grants and other resources.

Budgetary Information

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

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

Cash and Cash Equivalents

The Libraries System has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments of three months or less when acquired.

Capital Assets

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

| | |
|-------------------------|-------------|
| Furniture and equipment | 5 -10 years |
| Vehicles | 5 years |

NORTH CENTRAL KANSAS LIBRARIES SYSTEM
Manhattan, Kansas
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

Compensated Absences

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

Taxes Receivable

Taxes receivable consist of amounts levied for 2020 as part of the 2020 budget. As the amounts cannot be used until the year for which they are levied, the receivable is offset by a corresponding deferred revenue. This deferred revenue will be recognized in 2020 when the taxes are received.

Fund Balances - Governmental Funds

The Libraries System elected to implement GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in calendar year 2011. In the fund financial statements, governmental funds report the following classifications of fund balance:

- Restricted - includes amounts restricted by external sources (creditors, grantors, contributors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Assigned - includes amounts that the Libraries System intends to use for a specific purpose, but does not meet the definition of restricted or committed fund balance. According to the Libraries System's policy, amounts may be assigned by the Director under the authorization of the Libraries System's Executive Committee.
- Unassigned - includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

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

Net Position

Net position restricted by grantors are restricted for use in accordance with grant agreements for specified purposes. The Libraries System's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Note 2: Deposits and Investments

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

NORTH CENTRAL KANSAS LIBRARIES SYSTEM
 Manhattan, Kansas
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2020

Note 2: Deposits and Investments (Continued)

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

Concentration of credit risk. State statutes place no limit on the amount the Libraries System 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 Libraries System's deposits may not be returned to it. State statutes require the Libraries System'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%.

At December 31, 2020, the Libraries System's carrying amount of deposits was \$844,186 and the bank balance was \$891,548. The bank balance was held by one bank resulting in a concentration of credit risk. To mitigate this risk, the Libraries System maintains a repurchase agreement by which excess idle funds are swept out of the account at the end of each bank business day and invested overnight in low-risk governmental securities.

Note 3: Capital Assets

Capital asset activity for the year ended December 31, 2020 was as follows:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|------------------------------|-------------------|-------------------|---------------------------|
| Capital assets being depreciated | | | | |
| Furniture and equipment | \$ 37,185 | \$ 2,900 | \$ (2,300) | \$ 37,785 |
| Vehicles | 103,625 | - | - | 103,625 |
| Total | \$ 140,810 | \$ 2,900 | \$ (2,300) | \$ 141,410 |
| Less: Accumulated depreciation | | | | |
| Furniture and equipment | \$ 25,885 | \$ 3,073 | \$ (2,300) | \$ 26,658 |
| Vehicles | 69,765 | 8,292 | - | 78,057 |
| Total | \$ 95,650 | \$ 11,365 | \$ (2,300) | \$ 104,715 |
| Governmental Activities Capital Assets - Net | \$ 45,160 | \$ (8,465) | \$ - | \$ 36,695 |

Note 4: Long-Term Obligation Activity

Changes in long-term obligations for the year ended December 31, 2020 were as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|----------------------|------------------------------|------------------|-------------------|---------------------------|
| Compensated absences | \$ 28,208 | \$ 25,791 | \$ 24,862 | \$ 29,137 |

NORTH CENTRAL KANSAS LIBRARIES SYSTEM
 Manhattan, Kansas
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2020

Note 5: Commitments and Contingencies - Encumbrances

The Libraries System uses encumbrances to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to executed contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year-end are not accounted for as expenditures and liabilities, but rather as restricted or assigned fund balance. At December 31, 2020, the Libraries System's recorded encumbrances in governmental funds were as follows:

| | |
|---------|-------|
| General | \$ 53 |
|---------|-------|

Note 6: Shared Costs Agreement

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

For 2020, the Libraries System incurred expenses totaling \$708,244 for personnel services and \$23,231 for occupancy and supply costs under this agreement.

Note 7: Subsequent Events

Management has evaluated subsequent events through May 19, 2021, which is the date the financial statements were available for issuance.

Note 8: Interfund Transfers

The Libraries System made the following operating transfers during 2019:

| Fund From | To | Statutory Authority | Amount |
|-----------|---------------------|------------------------|-----------|
| General | Capital Improvement | K.S.A. 12-1258 | \$ 25,000 |