

LIBERAL MEMORIAL LIBRARY
Liberal, Kansas

AUDIT REPORT

For the years ended December 31, 2017 and 2016

LIBERAL MEMORIAL LIBRARY
Liberal, Kansas

AUDIT REPORT

For the years ended December 31, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board Members of the
Liberal Memorial Library
Liberal, Kansas 67901

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Liberal Memorial Library, Liberal, Kansas, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

To the Board Members of the
Liberal Memorial Library
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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Liberal Memorial Library, as of December 31, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years 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 and budgetary comparison information on pages 4 through 6 and 23 through 24 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's basic financial statements. The introductory section and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

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Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Hay•Rice & Associates, Chartered

Hay•Rice & Associates, Chartered

July 11, 2018

LIBERAL MEMORIAL LIBRARY
Liberal, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2017

As management of the Liberal Memorial Library, we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Liberal Memorial Library for the fiscal year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with the financial statements, which begin on page 8.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the Library's financial statements. The financial statements are designed to provide readers with a broad overview of the Library's finances. 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 balance sheet and the statement of revenues, expenses, and changes in fund equity report information about the Library in a way 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.

The balance sheet presents information on all of the Library's assets and liabilities, with the difference between the two reported as fund equity. Over time, increases or decreases in fund equity may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The statement of revenues, expenses, and changes in fund equity presents information showing how the Library's fund equity changed during the most recent fiscal year. All changes in fund equity are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation and earned but unused vacation leave).

The financial statements report on the function of the Library that is principally supported by intergovernmental revenues. The Library's function is to provide a library for the City of Liberal and the surrounding area, which is funded primarily with tax revenues levied by the City of Liberal on the Library's behalf.

Government-Wide Financial Statements vs. Fund Financial Statements

The Library maintains one governmental fund to account for all its functions. The governmental fund type financial statements represent both the government-wide financial statements, as well as the fund financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to the full understanding of the amounts provided in the financial statements. The notes to the financial statements can be found on pages 10 through 21 of this report.

Financial Highlights

- The assets of the Library exceeded its liabilities at the close of the most recent fiscal year by \$859,497.
- The Library had property tax revenues of \$592,000, intergovernmental revenues of \$23,280, program revenues (charges for services) of \$25,477 and program expenses of \$662,478 for the year ended December 31, 2017.
- The cash balance at December 31, 2017 was \$437,328 representing a decrease of \$162,535 from January 1, 2017.

Capital Assets and Debt Administration

Capital Assets

As of December 31, 2017, the Library's investment in capital assets for its governmental activities was \$672,254 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment.

Additional information on the Liberal Memorial Library's capital assets can be found in Note 5 on page 12.

Financial Analysis

A comparative analysis of current and prior year balances follows:

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Total Assets and Deferred Outflows of Resources	\$1,753,573	\$1,755,596
Total Liabilities and Deferred Inflows of Resources	894,076	917,153
Total Fund Equity	859,497	838,443
Total Revenue	683,532	692,270
Total Expenses	662,478	807,933
Net Increase (Decrease) in Net Position	21,054	(115,663)
Cash and Cash Equivalents	437,328	599,863

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Library's budget for the 2017 fiscal year:

Enhance new and existing programs

Increasing cost of materials

Employment of adequate staff members

Contacting the Library's Financial Management

The financial report is designed to provide a general overview of the Library's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Liberal Memorial Library, 519 N. Kansas, Liberal, Kansas 67901, or call (620) 626-0180.

LIBERAL MEMORIAL LIBRARY
Liberal, Kansas

FINANCIAL STATEMENTS
For the years ended December 31, 2017 and 2016

LIBERAL MEMORIAL LIBRARY
Liberal, Kansas

Statement 1

STATEMENTS OF NET POSITION

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Cash and investments	\$ 437,328	\$ 599,863
Taxes receivable	593,598	592,000
Capital assets	1,769,619	1,545,281
<u>Less – Accumulated depreciation</u>	<u>(1,097,365)</u>	<u>(1,052,347)</u>
Total Assets	\$ 1,703,180	\$ 1,684,797
<u>Deferred Outflows of Resources</u>		
Pension	<u>50,393</u>	<u>70,799</u>
Total Assets and Deferred Outflows of Resources	\$ <u>1,753,573</u>	\$ <u>1,755,596</u>
<u>Liabilities</u>		
Accounts payable	\$ 792	\$ 7,907
Accrued salaries	13,365	11,797
Accrued compensated absences	18,367	14,137
Net pension liability	<u>230,203</u>	<u>260,350</u>
Total Liabilities	\$ <u>262,727</u>	\$ <u>294,191</u>
<u>Deferred Inflows of Resources</u>		
Deferred revenue	\$ 593,598	\$ 592,000
Pension	<u>37,751</u>	<u>30,962</u>
Total Deferred Inflows of Resources	\$ <u>631,349</u>	\$ <u>622,962</u>
<u>Net Position</u>		
Unrestricted	\$ 187,243	\$ 345,508
Invested in capital assets	<u>672,254</u>	<u>492,935</u>
Total Net Position	\$ <u>859,497</u>	\$ <u>838,443</u>

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

LIBERAL MEMORIAL LIBRARY
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Statement 2

STATEMENTS OF ACTIVITIES

For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>Expenditure/Expenses</u>		
Library Operations:		
Personal services	\$ 351,719	\$ 363,318
Commodities	102,355	258,491
Contractual services	163,386	149,068
Depreciation	<u>45,018</u>	<u>37,056</u>
Total Program Expenses	\$ 662,478	\$ 807,933
<u>Program Revenues</u>		
Charges for services	<u>25,477</u>	<u>27,956</u>
Net Program Expenses	\$ <u>637,001</u>	\$ <u>779,977</u>
<u>General Revenues</u>		
Property taxes	\$ 592,000	\$ 569,832
Intergovernmental	23,280	23,807
Investment earnings	1,772	1,262
Gifts and bequests	7,570	7,337
Miscellaneous	8,012	44,293
Grants	<u>25,421</u>	<u>17,783</u>
Total General Revenues	\$ <u>658,055</u>	\$ <u>664,314</u>
Increase (Decrease) in Net Position	\$ <u>21,054</u>	\$ <u>(115,663)</u>
Net Position, Beginning of the Year	\$ 838,443	\$ 954,106
Prior Period Adjustment for Change in Accounting Principles	<u>-</u>	<u>-</u>
Net Position, Beginning of the Year, as restated	\$ <u>838,443</u>	\$ <u>954,106</u>
Net Position, End of the Year	\$ <u>859,497</u>	\$ <u>838,443</u>

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

LIBERAL MEMORIAL LIBRARY
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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2017 and 2016

Note 1: Summary of Significant Accounting Policies

Municipal Financial Reporting Entity

Liberal Memorial Library is a municipal organization governed by an appointed board. The Liberal Memorial Library is a component unit of the City of Liberal, Kansas. There are no related municipal entities or component units of the Liberal Memorial Library.

Basis of Accounting

The Library has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented after applying memorandum adjustments, where applicable, resulting in financial statements presented on the accrual basis of accounting.

Vouchers Payable

Vouchers payable are classified on the basis of a claim for payment resulting from legal title to property.

Note 2: Stewardship, Compliance and Accountability

Budgets

Applicable Kansas statutes require that budgets be legally adopted for all funds, unless exempted by a specific statute. All budgets are prepared utilizing the modified accrual basis further modified by the encumbrance method of accounting – that is, commitments, such as purchase orders and contracts, in addition to disbursements and accounts payable, are recorded as expenditures.

Budget authorizations are not required for the State Aid, Gift and Bequest, Capital Improvements or Capital Projects Funds.

Schedule 1 presents budgetary comparisons of the General Fund.

LIBERAL MEMORIAL LIBRARY
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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2017 and 2016
(Continued)

Note 3: Cash and Time Deposits

Cash on hand, demand and time deposits are shown in aggregate in accordance with the provisions of KSA 12-1671 and 12-1672.

Time deposits are carried at cost, plus accrued interest. The carrying amount of these deposits are included in the financial statement as "cash and time deposits".

In accordance with KSA 9-1402 and KSA 12-1675, the Library Board deposited their funds with First National Bank, Liberal, Kansas.

The following coverage was provided at December 31, 2017:

First National Bank:			
Carrying value – Book value	\$ <u>437,328</u>		
Balance per bank statements		\$ <u>420,161</u>	
FDIC			\$ <u>500,000</u>
Depository security			\$ <u>196,141</u>
Funds at risk			<u>-</u>

Note 4: Accounts Receivable

Generally, the only stated receivables would be as follows:

- 1 – Available Library Fund balance at year end limited to the budget appropriation on hand with the City Treasurer.
- 2 – Any reimbursements due from the Library System and from other individuals.
- 3 – Balances due on state contractual agreements at year end.

LIBERAL MEMORIAL LIBRARY
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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2017 and 2016
(Continued)

Note 5: Statement of Changes in General Fixed Assets

Capital asset activity for the year ended December 31, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land	\$ 28,000	\$ -	-	\$ 28,000
Building	122,680	-	-	122,680
Building addition	568,645	-	-	568,645
Improvements	278,533	209,153	-	487,686
Furnishings and Equipment:				
Office furniture and equipment	428,205	13,696	-	441,901
Shelving, etc.	88,951	-	-	88,951
Audio-visual equipment	<u>30,268</u>	<u>1,489</u>	<u>-</u>	<u>31,757</u>
Total Current Year	\$ 1,545,282	<u>\$224,338</u>	<u>-</u>	\$ 1,769,620
<u>Less</u> – Accumulated depreciation	<u>(1,052,347)</u>			<u>(1,097,365)</u>
Net Capital Assets	<u>\$ 492,935</u>			<u>\$ 672,255</u>

Note 6: Compensated Absences/Uncompensated Absences

Vacation and Sick Leave

All full time regular employees are to accrue vacation leave after completing one full year of service on the basis of one day for each month of service. A maximum of 21 days can be accumulated. Upon termination, any unused vacation leave is compensated on the employee's authorized salary.

All full time employees are to accrue sick leave one day for each month of service. Employees are able to carryover 90 days. There is no compensation for sick days upon end of employment.

LIBERAL MEMORIAL LIBRARY
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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2017 and 2016
(Continued)

Note 7: Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description

The Liberal Memorial 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 after 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 contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, 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 with a 0% moratorium from the period of January 1, 2017 through September 30, 2017 for the Death and Disability Program) and the statutory contribution rate was 8.46% for the fiscal year ended December 31, 2017. Contributions to the pension plan from the Liberal Memorial Library were \$41,195 for the year ended December 31, 2017.

LIBERAL MEMORIAL LIBRARY
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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2017 and 2016
(Continued)

Note 7: Defined Benefit Pension Plan (Continued)

Net Pension Liability

At December 31, 2017 and 2016, the Liberal Memorial Library's proportionate share of the collective net pension liability reported by KPERS was \$230,203 and \$260,350, respectively. The net pension liabilities were measured as of June 30, 2017 and 2016, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of December 31, 2016 and 2015, which were rolled forward to June 30, 2017 and 2016. The Liberal Memorial Library's proportion of the net pension liability was based on the ratio of the Liberal Memorial Library's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS.

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 at www.kpers.org or can be obtained as described above.

Benefits

Benefits are established by statute and may only be changed by the Kansas Legislature. Members with ten or more years of credited service may retire as early as age 55, 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".

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.

LIBERAL MEMORIAL LIBRARY
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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2017 and 2016
(Continued)

Note 7: Defined Benefit Pension Plan (Continued)

Benefits (Continued)

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 percent of the actuarial present value of the member's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas. 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.

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 actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each of the following groups of the plan:

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

To facilitate the separate (sub) actuarial valuations, the System maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The Library is included in the local group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedules of pension amounts by employer and nonemployer. The allocation percentages for the Library's share of the collective pension amounts as of December 31, 2017 and 2016 are based on the ratio of each employer's contributions to total employer and nonemployer contributions of the group for the years ended June 30, 2017 and 2016, respectively. The contributions used exclude contributions made for prior service, excess benefits, and irregular payments. As of December 31, 2017, the Library's proportion was 0.0159 percent which was a decrease of .0009 from its share at December 31, 2016.

LIBERAL MEMORIAL LIBRARY
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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2017 and 2016
(Continued)

Note 7: Defined Benefit Pension Plan (Continued)

Actuarial Assumptions

The total pension liability was determined by actuarial valuations as of December 31, 2016 and 2015, which were then rolled forward to June 30, 2017 and 2016, using the following actuarial assumptions:

<u>Actuarial Assumptions</u>	<u>2016</u>	<u>2015</u>
Price inflation	2.75%	3.00%
Wage inflation	3.50%	4.00%
Salary increases, including wage increases	3.50%-12.00%	4.00%-16.00%
Long-term rate of return net of investment expense and including price inflation	7.75%	8.00%

For 2017, 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. For 2016, mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements on Scale AA.

The actuarial assumptions used in the December 31, 2016 and 2015 valuations were based on the results of an actuarial experience study conducted for the three-year period ending December 31, 2015 and 2012, respectively.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocations as of June 30, 2017 are summarized in the following table:

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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2017 and 2016
(Continued)

Note 7: Defined Benefit Pension Plan (Continued)

Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Long-term Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	47.00%	6.80%
Fixed income	13.00	1.25
Yield driven	8.00	6.55
Real return	11.00	1.71
Real estate	11.00	5.05
Alternatives	8.00	9.85
Short-term investments	<u>2.00</u>	(0.25)
Total	<u>100.00%</u>	

Discount Rate

The discount rates used to measure the total pension liability as of December 31, 2016 and 2015, were 7.75 percent and 8.00 percent, respectively. The State, School, and Local employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the System's Board of Trustees for these groups may not increase by more than the statutory cap. The statutory cap for the year ended June 30, 2017, was 1.2 percent. The projection of cash flows used to determine the discount rates assumed that contributions from plan members will be made within the same range as have been made during the past few years.

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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2017 and 2016
(Continued)

Note 7: Defined Benefit Pension Plan (Continued)

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

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

	<u>1% Decrease</u> <u>(6.75%)</u>	<u>Current</u> <u>Discount</u> <u>Rate</u> <u>(7.75%)</u>	<u>1% Increase</u> <u>(8.75%)</u>
Library's share of net pension liability	\$331,543	\$230,203	\$144,778

Pension Expense

For the years ended December 31, 2017 and 2016, the Library recognized pension expense of \$ (30,147) and \$24,772, respectively, which includes the 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 period.

Deferred Outflows of Resources and Deferred Inflows of Resources

A summary of the collective deferred outflows of resources and deferred inflows of resources at December 31, 2017 and 2016 are included 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.

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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2017 and 2016
(Continued)

Note 7: Defined Benefit Pension Plan (Continued)

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

	<u>2017</u>	<u>2016</u>
Deferred Outflows of Resources:		
Changes in proportion and differences between Library's contributions and proportionate share of contributions	\$ 17,232	\$ 25,073
Employer contributions subsequent to the measurement date	12,430	13,460
Differences between expected and actual experience	1,113	1,511
Net differences between projected and actual earnings on pension plan investment	7,221	30,755
Changes of assumptions	<u>12,397</u>	<u>-</u>
Total Deferred Outflows of Resources	\$ <u>50,393</u>	\$ <u>70,799</u>
Deferred Inflows of Resources:		
Differences between expected and actual experience	\$ 7,960	\$ 4,699
Changes of assumptions	1,683	2,435
Changes in proportion	28,108	23,828
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>-</u>
Total Deferred Inflows of Resources	\$ <u>37,751</u>	\$ <u>30,962</u>

LIBERAL MEMORIAL LIBRARY
Liberal, Kansas

NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2017 and 2016
(Continued)

Note 7: Defined Benefit Pension Plan (Continued)

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

The following table provides the deferred outflows of resources and deferred inflows of resources as of December 31, 2017 that will be recognized in pension expense in future years:

<u>Year Ended</u> <u>December 31</u>	<u>Employer</u> <u>Contributions</u> <u>Subsequent to</u> <u>the Measurement</u> <u>Date</u>	<u>Recognition of</u> <u>Net Deferred</u> <u>Outflows/(Inflows)</u> <u>of Resources</u> <u>by Year</u>	<u>Total</u>
2018	\$ 12,430	\$ (1,497)	\$ 10,933
2019	-	6,373	6,373
2020	-	(276)	(276)
2021	-	(4,077)	(4,077)
2022	-	(309)	(309)
	<u>\$ 12,430</u>	<u>\$ 214</u>	<u>\$ 12,644</u>

Note 8: Reconciliation of Difference Between Governmental Fund Statement and the Statement of Net Position

Fund Balance, Schedule 1	\$ 448,678
Fund Balance – State aid	-
Fund Balance – I.L.L. Development Fund	-
Addition of net capital assets	646,747
Addition of deferred outflows of resources	50,393
Addition of net pension liability	(230,203)
Addition of pension-related deferred inflows of resources	(37,751)
Addition of reserved compensated absences	<u>(18,367)</u>
Net Position, Statement 1	<u>\$ 859,497</u>

LIBERAL MEMORIAL LIBRARY
Liberal, Kansas

NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 2017 and 2016

(Continued)

Note 9: Reconciliation of Difference Between Governmental Fund Statement and the Statement of Activities

Net change in Fund Balance, Schedule 1	\$ 22,332
Pension expense recognized	30,147
Difference in deferred outflow of resources	(20,406)
Difference in deferred inflows of resources	(6,789)
Increase of accrued compensated absences	<u>(4,230)</u>
Change in Net Position, Statement 2	<u>\$ 21,054</u>

Note 10: Subsequent Events

The Liberal Memorial Library's management has evaluated events and transactions through July 11, 2018, the date which the financial statements were available to be issued.

LIBERAL MEMORIAL LIBRARY
Liberal, Kansas

SUPPLEMENTAL SCHEDULES
For the years ended December 31, 2017 and 2016

LIBERAL MEMORIAL LIBRARY
Liberal, Kansas

Schedule 1

GOVERNMENTAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
For the years ended December 31, 2017 and 2016

	<u>Current Year</u>		<u>Variance</u>	<u>Prior</u>
	<u>Actual</u>	<u>Budget</u>	<u>Over</u>	<u>Year</u>
			<u>(Under)</u>	<u>Actual</u>
<u>Revenues</u>				
Appropriation from City:				
Library Fund	\$592,000	\$583,598	\$ 8,402	\$ 569,832
Library System	3,980	4,500	(520)	4,588
Fines, fees and xerox	25,477	21,100	4,377	27,956
Gift and Bequest	7,570	209	7,361	7,337
Miscellaneous	8,012	-	8,012	39,705
Interest	1,772	1,200	572	1,262
Grants	<u>44,721</u>	<u>72,168</u>	<u>(27,447)</u>	<u>41,590</u>
Total Revenues	<u>\$683,532</u>	<u>\$682,775</u>	<u>\$ 757</u>	<u>\$ 692,270</u>
<u>Expenditures</u>				
Salaries	\$350,441	\$388,632	\$ (38,191)	\$ 352,533
Payroll taxes	28,646	28,000	646	29,076
Health/Life insurance/Work Comp	41,699	42,500	(801)	37,452
Books/Foreign language	34,622	45,000	(10,378)	42,370
Building maintenance	9,234	9,000	234	140,955
Periodicals and reference	4,466	5,600	(1,134)	4,645
Supplies and postage	20,476	24,100	(3,624)	16,889
Utilities and phone	34,211	39,000	(4,789)	26,715
Computer expense	3,749	2,000	1,749	2,082
Insurance	10,471	9,000	1,471	7,772
Retirement	23,681	26,000	(2,319)	27,202

LIBERAL MEMORIAL LIBRARY
Liberal, Kansas

Schedule 1
(Continued)

GOVERNMENTAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
For the years ended December 31, 2017 and 2016

	<u>Current Year</u>		<u>Variance</u>	<u>Prior</u>
	<u>Actual</u>	<u>Budget</u>	<u>Over</u>	<u>Year</u>
<u>Expenditures (Continued)</u>			<u>(Under)</u>	<u>Actual</u>
Miscellaneous	1,093	192	901	94
Service contracts	12,893	9,000	3,893	23,095
Travel and entertainment	7,373	12,896	(5,523)	7,742
Professional fees	4,178	4,700	(522)	4,652
Advertising/Marketing	750	1,000	(250)	1,020
Programs	11,316	15,000	(3,684)	12,068
Audio-visual	10,159	15,000	(4,841)	11,457
Interlibrary loan postage	-	-	-	711
Bank charges	64	-	64	116
Grants	6,660	-	6,660	11,446
Depreciation expense	<u>45,018</u>	<u>-</u>	<u>45,018</u>	<u>37,056</u>
Total Expenditures	<u>\$661,200</u>	<u>\$676,620</u>	<u>\$ (15,420)</u>	<u>\$ 797,148</u>
Revenues over (under) Expenditures	\$ 22,332			\$ (104,878)
Fund Balances, Beginning	<u>426,346</u>			<u>531,224</u>
Fund Balances, Ending	<u>\$448,678</u>			<u>\$ 426,346</u>

LIBERAL MEMORIAL LIBRARY
Liberal, Kansas

Schedule 2

SCHEDULE OF LIBRARY'S PROPORTIONATE SHARE
OF THE NET DEFINED PENSION PLAN LIABILITY

December 31, 2017, 2016, 2015, 2014 and 2013

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Library's proportion of the net pension liability	0.0159%	0.0168%	0.0162%	0.0186%	0.1628%
Library's proportionate share of the net pension liability	\$230,203	\$260,350	\$212,188	\$229,214	\$247,780
Library's covered-employee payroll	279,917	288,098	287,145	290,079	252,355
Library's proportionate share of the net pension liability as a percentage of its covered-employee payroll	82.24%	90.37%	73.90%	79.02%	98.19%
Plan fiduciary net position as a percentage of the total pension liability	72.15%	68.60%	71.98%	72.56%	64.56%

LIBERAL MEMORIAL LIBRARY
Liberal, Kansas

Schedule 3

SCHEDULE OF LIBRARY'S CONTRIBUTIONS
TO DEFINED PENSION PLAN

December 31, 2017, 2016, 2015, 2014, 2013, 2012, 2011 and 2010

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contribution	\$ 23,681	\$ 26,447	\$ 27,221	\$ 25,643	\$ 20,037	\$ 19,065	\$ 16,043	\$ 16,933
Contributions in relation to the contractually required contribution	<u>(23,681)</u>	<u>(26,447)</u>	<u>(27,221)</u>	<u>(25,643)</u>	<u>(20,037)</u>	<u>(19,065)</u>	<u>(16,043)</u>	<u>(16,933)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Library's covered-employee payroll	<u>\$279,917</u>	<u>\$288,098</u>	<u>\$287,145</u>	<u>\$290,079</u>	<u>\$252,355</u>	<u>\$259,741</u>	<u>\$238,027</u>	<u>\$275,787</u>
Contributions as a percentage of covered-employee payroll	8.46%	9.18%	9.48%	8.84%	7.94%	7.34%	6.74%	6.14%

