



BERBERICH TRAHAN & CO., P.A.
Certified Public Accountants

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

BASIC FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2016

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

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Year Ended December 31, 2016

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TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

BASIC FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Topeka and Shawnee County Public Library:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Topeka and Shawnee County Public Library (the Library), as of and for the year ended December 31, 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; 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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. The financial statements of the Library Foundation were not audited in accordance with *Government Auditing Standards*.

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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Library, as of December 31, 2016, and the respective changes in financial position and the respective budgetary comparisons for the general fund and the employee benefit fund 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 and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary 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 supplementary information, including combining general fund, nonmajor fund financial statements, and budgetary comparisons, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary 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 statements. 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2017 on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Library's internal control over financial reporting and compliance.

Berwick Trahan + Co., P.A.

Topeka, Kansas
April 12, 2017

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the Topeka and Shawnee County Public Library (Library), we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the Library's Financial Statements, which begin on page 16.

This discussion and analysis is designed to: (1) assist the reader in focusing on significant financial issues; (2) provide an overview of the Library's financial activity; (3) identify changes in the Library's financial position (its ability to address the next and subsequent year challenges); (4) identify any material deviations from the financial plan (the approved budget); (5) identify individual fund issues or concerns; and (6) facilitate transparency and demonstrate effective stewardship of public and private monies.

GENERAL INFORMATION

The Topeka and Shawnee County Public Library is a municipal corporation governed by an appointed ten-member board. As required by accounting principles generally accepted in the United States of America, these financial statements present the Library and its component unit, an entity for which the government is considered financially accountable. A discretely presented component unit is reported in a separate column in the basic financial statements to emphasize it is legally separate from the government. The discretely presented component unit has a December 31 year end.

Discretely Presented Component Unit. The Library Foundation (Foundation) was organized to help secure financial resources to ensure the continued growth, enhancement and development of the Topeka and Shawnee County Public Library's collections, programs, services, technology, and physical facilities by cultivating and soliciting philanthropic support, by providing conscientious stewardship of assets entrusted to it, and by encouraging appropriate community partnerships. The Foundation has the potential to impose a financial benefit/burden on the Library.

Complete financial statements of the Library Foundation are available from the Library Foundation administrative office.

FINANCIAL HIGHLIGHTS

- The overall condition of all funds remains adequate for the Library.
- The Library's total combined net position was \$12,147,614 as of December 31, 2016. The unrestricted net position available to be used to meet the Library's ongoing obligations has resulted in a negative amount of \$8,273,181. This is primarily the result of the required calculation and financial statement presentation of the Library's share of the net pension liability as a participating employer in the Kansas Public Employees Retirement System (KPERs) imposed by GASB Statements No. 68 and No. 71 (see footnote 9). This is the second year for this financial statement reporting and will impact all KPERs employer organizations in a similar manner.

Additionally, other postemployment healthcare benefits (OPEB) imposed by GASB Statement No. 45 (see footnote 10) represents a significant reported liability. In 2016, the Library offered medical and dental insurance to its retirees and qualifying dependents with a \$300 premium subsidy paid by the Library for either plan. Kansas law requires that retirees be offered participation in the medical insurance plan through Medicare eligibility, but no subsidization of the premiums is required. The inclusion of retirees in the medical insurance plan beyond reaching this eligibility, as well as the Library's subsidization of the premiums, are authorized by Board of Trustees' policy. However, during 2015 the Board of Trustees approved two new policies for *Group Health Care Benefits for Qualified Retirees*. Over two years, these policies reduce the Library's premium subsidy and the length of time for the subsidy and limit the age eligibility for participation to less than age 65 beginning January 1, 2017.

The OPEB liability is an actuarial calculation of not only the Library's contribution to the annual premiums, but the expected cost impact on the medical insurance plan due to the inclusion of the retirees and related actuarial assumptions about their future health care needs, longevity, the projected cost of health care and other factors. With the policy changes, over time this liability will decrease. The OPEB obligation is an accumulated calculation so the impact of the policy changes will be only from the decreased annual OPEB cost. This actuarial liability projection actually increased in total by \$24,667 from 2015 to 2016 for a total net OPEB obligation of \$9,180,426 likely due to projections related to known increases in the cost of the medical plan beginning in 2017.

If the Library or its medical insurance plan ceased to exist, all related liability presented in the financial statements would cease. The Library's only obligation is to allow participation in its medical insurance plan until a retiree is Medicare-eligible and pay any subsidy set by the Board while the policy remains in effect. This differs significantly from a pension or trust for postretirement benefits. Financial statement readers should consider this required financial statement presentation as strictly that, as contrasted with true liabilities due from the Library's assets.

- During the year, the Library's expenses were \$1,707,167 less than the \$18,677,665 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$3,651,451.
- E-rate funds continue to offset part of the charges for telecommunication and internet services.
- The Library continued its contract with Unique Management Services to recover the cost of outstanding library materials and related fines.
- Fees to library users, including late return of library materials, printing, copying, interlibrary loan services, mailing of library materials, nonresident library cards, faxing, meeting rooms and other fees, generated \$269,958 in 2016.

USING THIS AUDIT REPORT

This audit report consists of a series of financial statements and notes to those statements. The focus of these financial statements is on both the Library as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison and demonstrate the Library's accountability.

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities

The government-wide financial statements are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business. The focus of the Statement of Net Position presents information on all of the Library's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. This statement combines and consolidates the governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations using the accrual basis of accounting.

The Statement of Activities presents information showing how the Library's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the 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., earned but unused compensated absences).

The government-wide financial statements describe functions of the Library that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Library reflect the Library's basic services, including materials collections, reference and readers' services, programming, the Digital Branch, outreach services and public computers.

Reporting the Library's Major Funds

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements to be more familiar. The focus of the presentation is on major funds rather than fund types. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Library adopts an annual budget for its General Fund, Employee Benefit Fund, Debt Service Fund and State Aid Fund. A budgetary comparison schedule has been provided elsewhere in this report to demonstrate compliance with the budget. The budgetary comparisons can be found on pages 25-27 and pages 69-70 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-59 of this report.

FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE

In accordance with GASB Statement No. 34 and because prior year information is available, the Library is presenting a comparative analysis of government-wide information.

GOVERNMENT-WIDE STATEMENTS

Statement of Net Position

STATEMENT OF NET POSITION

Comparative as of December 31, 2016 and December 31, 2015

	2016	2015	Change
Assets:			
Cash and investments	\$ 9,066,092	\$ 8,073,934	\$ 992,158
Receivables:			
Taxes and assessments	14,790,422	14,611,532	178,890
Other	34,741	55,189	(20,448)
Prepaid items	234,252	165,058	69,194
Due from component unit	84,167	391,615	(307,448)
Due from related party	9,013	11,424	(2,411)
Endowment securities	206,532	200,631	5,901
Split interest agreements	124,000	127,000	(3,000)
Capital assets not being depreciated:			
Land	1,130,229	938,029	192,200
Works of art	2,176,423	2,165,609	10,814
Work in progress	136,698	96,105	40,593
Capital assets net of accumulated depreciation:			
Buildings and improvements	16,878,458	17,625,332	(746,874)
Equipment	1,882,299	1,706,039	176,260
Books and collections	1,600,871	1,468,566	132,305
Total assets	<u>\$ 48,354,197</u>	<u>\$ 47,636,063</u>	<u>\$ 718,134</u>
Deferred Outflows of Resources:			
Deferred charge on refunding	78,980	108,597	(29,617)
Deferred outflow - pension	1,279,254	425,572	853,682
Total deferred outflows of resources	<u>\$ 1,358,234</u>	<u>\$ 534,169</u>	<u>\$ 824,065</u>
Liabilities:			
Accounts payable	208,556	12,405	196,151
Accrued payroll	445,629	250,913	194,716
Advances - grants	744	10	734
Accrued interest payable	51,586	67,295	(15,709)
Long-term liabilities:			
Due within one year	1,989,072	1,889,840	99,232
Due in more than one year	19,861,205	20,406,027	(544,822)
Total liabilities	<u>\$ 22,556,792</u>	<u>\$ 22,626,490</u>	<u>\$ (69,698)</u>
Deferred Inflows of Resources:			
Unavailable revenue - property taxes	14,790,422	14,611,532	178,890
Deferred inflows - pension	217,603	491,763	(274,160)
Total deferred inflows of resources	<u>\$ 15,008,025</u>	<u>\$ 15,103,295</u>	<u>\$ (95,270)</u>
Net position:			
Net investment in capital assets	18,929,584	17,589,771	1,339,813
Restricted for:			
Expendable:			
Debt service	761,414	770,141	(8,727)
Other purposes	523,265	567,456	(44,191)
Nonexpendable	206,532	517,380	(310,848)
Unrestricted	(8,273,181)	(9,004,301)	731,120
Total net position	<u>\$ 12,147,614</u>	<u>\$ 10,440,447</u>	<u>\$ 1,707,167</u>

When the financial data is presented in full compliance with accrual accounting, the Library's combined net position increased by \$1,707,167 from \$10,440,447 as of December 31, 2015 to \$12,147,614 as of December 31, 2016.

Statement of Activities

The following table summarizes the revenue and expenses of the Library's activities for 2015 and 2016.

STATEMENT OF ACTIVITIES

For the Years Ended December 31, 2016 and December 31, 2015

	2016	2015	Change
Program Revenues:			
Charges for services	\$ 1,052,891	\$ 858,938	\$ 193,953
Operating grants and contributions	310,399	327,759	(17,360)
Capital grants and contributions	491,259	130,155	361,104
General Revenues:			
Property taxes	16,761,602	16,449,354	312,248
Change in value of split interest agreements	(3,000)	(15,000)	12,000
Net investment income	64,514	9,768	54,746
Total revenues	<u>18,677,665</u>	<u>17,760,974</u>	<u>916,691</u>
Function/Program Expenses:			
Library services	16,471,247	16,390,653	80,594
Interest on long-term debt	101,691	145,578	(43,887)
Payments to component unit	397,560	-	397,560
Total expenses	<u>16,970,498</u>	<u>16,536,231</u>	<u>434,267</u>
Change in net position	<u>1,707,167</u>	<u>1,224,743</u>	<u>482,424</u>
Net position - beginning of the year	10,440,447	15,673,277	(5,232,830)
Prior period adjustment	-	(6,457,573)	6,457,573
Net position - beginning of the year as restated	<u>10,440,447</u>	<u>9,215,704</u>	<u>1,224,743</u>
Net position - end of year	<u>\$ 12,147,614</u>	<u>\$ 10,440,447</u>	<u>\$ 1,707,167</u>

The Library is primarily funded by a property tax levied on all property located within Shawnee County, except for property located within Rossville township and Silver Lake township. The Library is not subject to property tax limits that restrict or cap annual increases in the total tax levy, although an increase beyond the index from the *Consumer Price Index for Urban Consumers* requires the Board of Trustees to pass a resolution and publish the overall vote. However, the Library Board strives to limit the levy increase and has approved a nearly flat levy for the past six years.

As reported in the Statement of Activities on page 18 the cost of all of our governmental activities in 2016 was \$16,970,498, an increase of \$434,267 (2.63%) over the 2015 total cost of \$16,536,231.

- The amount that our taxpayers paid for these activities through taxes was \$16,761,602, an increase of \$312,248 (1.90%) above 2015. With a flat mill levy approved between the two years, the increase in tax revenues is due to the value of one mill based on actual property valuations, the amount of other types of taxes like those on vehicles, and the amount of collectible taxes. Budgeted ad valorem taxes between 2015 and 2016 increased by \$383,480 due to increased valuations over the prior year which produced \$39,611 more per mill.
- Some of the cost (\$1,052,891) was paid by those who directly benefited from the services.

- Some of the cost (\$801,658) was paid by other governments and organizations who subsidized certain programs with grants and contributions.

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

The Library's budgets are prepared according to Kansas law. The budgeted major funds are the General Fund, the Employee Benefit Fund and the Debt Service Fund.

During the fiscal year ended December 31, 2016, the Library did not amend the budget for any of the budgeted funds.

General Fund

STATEMENT OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL

Year ended December 31, 2016

	2016		
	Budget	Actual	Variance
Revenue:			
Ad valorem taxes	\$ 11,007,194	\$ 10,784,246	\$ (222,948)
Delinquent taxes	-	176,957	176,957
Motor vehicle taxes	1,272,759	1,379,267	106,508
Payment in lieu of taxes	19,918	43	(19,875)
Revitalization rebates	(141,400)	(142,639)	(1,239)
Investment income	1,400	14,329	12,929
Receipts from component units	-	1,638	1,638
Overdue fines and fees	327,120	246,442	(80,678)
Miscellaneous	260,764	233,585	(27,179)
Total revenues	<u>\$ 12,747,755</u>	<u>\$ 12,693,868</u>	<u>\$ (53,887)</u>
Expenditures:			
Salaries	\$ 8,363,578	\$ 8,170,195	\$ (193,383)
Library materials	1,676,930	1,661,040	(15,890)
Equipment and special projects	410,700	302,118	(108,582)
Other operating expenses	3,850,215	2,294,608	(1,555,607)
Total expenditures	<u>\$ 14,301,423</u>	<u>\$ 12,427,961</u>	<u>\$ (1,873,462)</u>

The General Fund actual revenues for 2016 were \$12,693,868; \$53,887 under the budgeted amount of \$12,747,755. 96.1% of all General Fund revenues came from taxes. Actual taxes collected represent 100.3% of the budgeted taxes which is an excellent collection rate and is primarily due to motor vehicle taxes and collection of delinquent taxes.

The actual expenditures of the General Fund for 2016 were \$12,427,961; \$1,873,462 (\$673,462 without budgeted cash carryforward) below the budget estimate of \$14,301,423. The percentage breakdown for General Fund expenditures was: salaries 65.7%; library materials 13.4%; equipment and special projects 2.4%; other operating expenses 18.5%.

The fund balance for the General Fund at the end of 2016 was \$3,651,451 as compared to an ending fund balance on December 31, 2015 of \$3,223,351.

Employee Benefit Fund

STATEMENT OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL

Year ended December 31, 2016

	2016		
	Budget	Actual	Variance
Revenues:			
Ad valorem taxes	\$ 2,618,296	\$ 2,565,523	\$ (52,773)
Delinquent taxes	-	47,179	47,179
Motor vehicle taxes	333,386	360,858	27,472
Payments in lieu of taxes	5,793	10	(5,783)
Revitalization rebates	(37,047)	(33,955)	3,092
Investment income	100	6,417	6,317
Miscellaneous	204,946	597,267	392,321
Total Revenues	<u>\$ 3,125,474</u>	<u>\$ 3,543,299</u>	<u>\$ 417,825</u>
Expenditures:			
FICA	\$ 639,804	\$ 586,728	\$ (53,076)
Health/dental insurance	2,276,000	1,639,322	(636,678)
KPERS	789,958	744,899	(45,059)
Employee assistance program	7,000	6,562	(438)
Cafeteria plan administration fees	4,320	3,959	(361)
Contingency/fund balance	375,000	-	(375,000)
Unemployment tax	8,363	7,211	(1,152)
Worker's compensation	84,700	68,340	(16,360)
Total Expenditures	<u>\$ 4,185,145</u>	<u>\$ 3,057,021</u>	<u>\$ (1,128,124)</u>

The Employee Benefit Fund actual revenue for 2016 was \$3,543,299; \$417,825 more than the budgeted amount of \$3,125,474. This is in part due to a claims experience refund for plan year 2015 from the group medical insurance carrier of \$462,836, along with increased collections of motor vehicle and delinquent taxes. 83.0% of all Employee Benefit Fund revenues came from taxes.

The actual expenditures of the Employee Benefit Fund for 2016 were \$3,057,021; \$1,128,124 (\$753,124 without budgeted cash carryforward) below the original budget estimate of \$4,185,145. The actual cost of health care paid by the Library was less than budgeted due to flat premium rates and the decision not to elect a self-funding model. The percentage breakdown for Employee Benefit Fund expenditures was: FICA 19.2%; health/dental insurance 53.6%; KPERS (retirement system) 24.4%; unemployment tax .3%; worker's compensation 2.2%; employee assistance program and cafeteria benefit plan administration .3%.

The fund balance for the Employee Benefit Fund at the end of 2016 was \$1,747,491 as compared to an ending fund balance on December 31, 2015 of \$1,414,716. This is primarily due to the medical insurance plan savings previously explained.

Debt Service Fund

COMPARISON OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL

Year ended December 31, 2016

	2016		
	Budget	Actual	Variance
Revenues:			
Ad valorem taxes	\$ 1,446,979	\$ 1,418,418	\$ (28,561)
Delinquent taxes	-	24,965	24,965
Motor vehicle taxes	183,892	199,494	15,602
Payments in lieu of taxes	2,469	5	(2,464)
Revitalization rebates	(20,444)	(18,769)	1,675
Investment income	600	2,768	2,168
Total Revenues	<u>\$ 1,613,496</u>	<u>\$ 1,626,881</u>	<u>\$ 13,385</u>
Expenditures:			
Bond principal payment	\$ 1,450,000	\$ 1,450,000	\$ -
Interest and fiscal charges	201,905	201,915	(10)
Reserve	750,000	-	750,000
Total Expenditures	<u>\$ 2,401,905</u>	<u>\$ 1,651,915</u>	<u>\$ 749,990</u>

The Debt Service Fund actual revenue for 2016 was \$1,626,881; \$13,385 more than the budgeted amount of \$1,613,496. This is primarily due to increased collections for motor vehicle and delinquent taxes. Taxes comprise 99.8% of all Debt Service revenues.

The actual expenditures of the Debt Service Fund for 2016 were \$1,651,915; \$10 more than the original budget estimate of \$1,651,905 (excluding the amount budgeted for the reserve balance).

The fund balance for the Debt Service Fund at the end of 2016 was \$813,000 compared to an ending fund balance on December 31, 2015 of \$837,436.

GOVERNMENTAL FUNDS REVENUES

The total governmental fund revenues of the Library for 2016 were \$18,473,826; compared to total governmental fund revenues for 2015 of \$17,775,974. Of the total revenues, \$16,761,602 or 90.7% was generated from taxes and assessments; compared to \$16,449,354 or 92.5% generated from taxes and assessments in 2015.

GOVERNMENTAL FUNDS EXPENDITURES

	2016		2015	
	Total	% of Total	Total	% of Total
General Fund	\$ 12,364,513	68%	\$ 12,573,898	70%
Employee Benefit Fund	3,213,326	18%	3,271,630	18%
Bond & Interest Fund	1,651,915	9%	1,654,194	9%
Other Governmental Funds	898,727	5%	471,236	3%
	<u>\$ 18,128,481</u>		<u>\$ 17,970,958</u>	

In reviewing the chart above, you will see that the General Fund comprises 68% of all the expenditures within the governmental funds contrasted with 70% in 2015. Governmental fund expenditures totaled to \$18,128,481; an increase of \$157,523 from the 2015 total of \$17,970,958. There were a number of large, one-time projects in 2016 so expenditures were greater.

GOVERNMENTAL FUNDS FUND BALANCES

	Total Revenues	Total Expenditures	Other Financing Sources (Uses)	Fund Balance 1/1/2016	Fund Balance 12/31/2016
General Fund	\$ 12,792,970	\$ 12,364,513	\$ (357)	\$ 3,223,351	\$ 3,651,451
Employee Benefit	3,546,101	3,213,326	-	1,414,716	1,747,491
Debt Service	1,627,479	1,651,915	-	837,436	813,000
Other Governmental Funds	507,276	898,727	357	3,159,020	2,767,926
	<u>\$ 18,473,826</u>	<u>\$ 18,128,481</u>	<u>\$ -</u>	<u>\$ 8,634,523</u>	<u>\$ 8,979,868</u>

The governmental funds had a net increase in fund balance of \$345,345. The ending fund balance for all governmental funds was \$8,979,868. These fund balances will be used to fund future capital improvements, rising cost of health insurance, retire debt service and to pay expenses at the beginning of the next fiscal year. The fund balances are essential to maintain library operations since the library does not receive its first tax distribution until mid-to-late January.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 938,029	\$ 192,200	\$ -	\$ 1,130,229
Works of art	2,165,609	10,814	-	2,176,423
Work in progress	96,105	136,698	(96,105)	136,698
Total capital assets not being depreciated	<u>3,199,743</u>	<u>339,712</u>	<u>(96,105)</u>	<u>3,443,350</u>
Capital assets being depreciated:				
Building and improvements	28,628,011	-	-	28,628,011
Equipment	5,797,086	513,846	(85,509)	6,225,423
Books and collections	9,665,161	1,174,257	(1,203,836)	9,635,582
Total capital assets being depreciated	<u>44,090,258</u>	<u>1,688,103</u>	<u>(1,289,345)</u>	<u>44,489,016</u>
Less accumulated depreciation for:				
Buildings and improvements	(11,002,679)	(746,874)	-	(11,749,553)
Equipment	(4,091,047)	(336,325)	84,248	(4,343,124)
Books and collections	(8,196,595)	(662,939)	824,823	(8,034,711)
Total accumulated depreciation	<u>(23,290,321)</u>	<u>(1,746,138)</u>	<u>909,071</u>	<u>(24,127,388)</u>
Total capital assets being depreciated, net	<u>20,799,937</u>	<u>(58,035)</u>	<u>(380,274)</u>	<u>20,361,628</u>
Capital assets, net	<u>\$ 23,999,680</u>	<u>\$ 281,677</u>	<u>\$ (476,379)</u>	<u>\$ 23,804,978</u>

At the end of 2016 the Library had \$47.9 million invested in land, works of art, buildings and improvements, equipment and books and collections. Of this amount \$24.1 million in depreciation has been taken over the years. Total acquisitions for the year were \$2,027,815 and depreciation was \$1.75 million.

During fiscal year 2016, the information technology server and storage equipment and related software were upgraded, a specialized vehicle for early childhood development was put into service, an enhanced catalog overlay software was installed and a significant property adjacent to the Library campus was obtained through a donation to the Library Foundation.

In July 2016, the facilities master plan was approved by the Board of Trustees and a significant front entry exterior remodel project began in fourth quarter 2016. Additionally, other projects in the facilities master plan incurred preliminary design and other architectural services to ready the Library to begin the projects as funding allows. These are the additions shown in “Work in Progress” within capital assets.

Long-Term Debt

At the end of fiscal year 2016, the Library had \$4,650,000 in bonds outstanding. More detailed information about the Library’s debt is presented in the Notes to Basic Financial Statements on pages 46-47 of this report.

FACTORS BEARING ON THE LIBRARY’S FUTURE

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

- Continued low interest rates will have a negative impact on future revenue. However, interest rate increases are possible in the near term with the change in federal administration.
- The decline in property values in Shawnee County seems to have stabilized effective with the 2013 tax year. Statutory amendments by the State Legislature could decrease future property valuations by changing the definition of taxable personal property or capping or altering the governing body’s ability to set budgets. Changes in property valuations impact future tax revenues, which directly impact the Library’s operations.
- There are a number of capital projects related to infrastructure or service delivery forthcoming in the next five to ten years to include: (1) replacement programming vehicle for elementary-aged children; (2) materials handling system upgrade or replacement; (3) infrastructure and remodeling/reconfiguration of library spaces in accordance with the facilities master plan; (4) community services outreach projects (in lieu of branches); (5) replacement/upgrade of the security system; and (6) implementation of five community impact goals to support community literacy and learning.
- A ten-year facilities master plan was approved by the Board of Trustees in July 2016. It encompasses infrastructure and design projects to maintain optimal conditions and operation of the existing building. It also allows the Board to exercise good stewardship in maintaining and improving the building, increasing public space in support of the Library’s goals, and providing relevant customer service and experience in a 21st-century library environment. Projects will be approved and funded in phases, as funding allows, with each project approved by the Board of Trustees. Private resources through the Library Foundation will be sought to fund the project, as well as library operating and capital improvement funds as available. Capital improvement funds cannot be increased until the debt service is paid in full in 2019.
- Community impact goals were approved by the Board of Trustees in August 2016. A plan for implementation of these goals, including development of the strategies, tactics and budget, is underway and will drive the Library’s strategic plan for the next decade for the benefit and growth of the community.

- During 2016, an auto-renewal feature was enacted to allow the library system to automatically renew qualifying items a few days before the due date. This helps customers manage the materials they have checked out and should reduce fines. Also, the Board of Trustees amended the *Circulation Policy* to authorize overdue fines on library materials from children and young adult collections to be discontinued. This will allow all children greater access to the Library since they are unable to pay fines, manage their checked out items, etc., as an adult does. This will impact fine revenues into the future. The auto-renewal feature was incorporated into the 2017 budget and reduced fine revenue projections by 75%. The change in fines assessed on children's and young adult materials was made in late 2016 and has not yet been anticipated in budgeted revenues.
- The building donated to the Library Foundation and transferred to the Library, located at 1001 SW Garfield Avenue, is not conducive to the provision of library services. Instead, plans are to demolish the building in summer 2017 and grade and pave it for much needed additional parking. Funding is already identified and available within the Library Foundation to pay for this demolition and repurposing. The lot will be prepared to allow future building upon it, should that be necessary or desired at a later date.
- The Library will continue to closely monitor external factors such as utility costs, medical insurance and other employee benefits costs, and third-party service charges for significant changes that would have a negative impact on the budgets. Medical insurance premiums for 2017 increased significantly (from 17% to 28%). Actual claims experience will be reviewed throughout the year and plan adjustment decisions made as necessary.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Library's finances and to demonstrate the Library's 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:

Sheryl L. Weller
Chief Financial Officer
Topeka and Shawnee County Public Library
1515 SW 10th Avenue, Topeka, KS 66604-1374
Telephone (785) 580-4482, Fax (785) 580-4496
Email – sweller@tsopl.org

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

STATEMENT OF NET POSITION

December 31, 2016

	<u>Primary Government</u> <u>Governmental Activities</u>	<u>Component Unit</u> <u>Library Foundation</u>
ASSETS		
Cash and investments	\$ 9,066,092	\$ 27,222
Receivables:		
Taxes and assessments	14,790,422	-
Pledges, net of discount of \$ 5,414	-	2,586
Other	34,741	-
Prepaid items	234,252	-
Due from component unit	84,167	-
Due from related party	9,013	-
Endowment securities	206,532	-
Investments	-	1,637,108
Split interest agreements	124,000	-
Restricted assets:		
Investments:		
Temporarily restricted	-	3,931,888
Permanently restricted	-	1,655,351
Capital assets not being depreciated:		
Land	1,130,229	-
Works of art	2,176,423	-
Work in progress	136,698	-
Capital assets net of accumulated depreciation:		
Buildings and improvements	16,878,458	-
Equipment	1,882,299	-
Books and collections	1,600,871	-
	<hr/>	<hr/>
Total assets	48,354,197	7,254,155
	<hr/>	<hr/>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	78,980	-
Deferred outflows - pension	1,279,254	-
	<hr/>	<hr/>
Total deferred outflows of resources	\$ 1,358,234	\$ -
	<hr/>	<hr/>

(Continued)

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

STATEMENT OF NET POSITION
(Continued)

December 31, 2016

	<u>Primary Government</u> <u>Governmental Activities</u>	<u>Component Unit</u> <u>Library Foundation</u>
LIABILITIES		
Accounts payable	\$ 208,556	\$ 674
Accrued payroll	445,629	-
Advances - grants	744	-
Accrued interest payable	51,586	-
Due to primary government:		
Unrestricted	-	4,574
Temporarily restricted	-	79,593
Long-term liabilities:		
Due within one year	1,989,072	-
Due in more than one year	19,861,205	-
	<hr/>	<hr/>
Total liabilities	22,556,792	84,841
	<hr/>	<hr/>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	14,790,422	-
Deferred inflows - pension	217,603	-
	<hr/>	<hr/>
Total deferred inflows of resources	15,008,025	-
	<hr/>	<hr/>
NET POSITION		
Net investment in capital assets	18,929,584	-
Restricted for:		
Expendable:		
Debt service	761,414	-
Other purposes	523,265	3,934,474
Nonexpendable	206,532	1,655,351
Unrestricted	(8,273,181)	1,579,489
	<hr/>	<hr/>
Total net position	\$ 12,147,614	\$ 7,169,314
	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to basic financial statements.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

STATEMENT OF ACTIVITIES

Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Component Unit Library Foundation
Primary government:						
Governmental activities:						
Library services	\$ 16,471,247	\$ 1,052,891	\$ 310,399	\$ 491,259	\$ (14,616,698)	\$ -
Interest on long-term debt	101,691	-	-	-	(101,691)	-
Payments to component unit	397,560	-	-	-	(397,560)	-
Total primary government	<u>\$ 16,970,498</u>	<u>\$ 1,052,891</u>	<u>\$ 310,399</u>	<u>\$ 491,259</u>	<u>(15,115,949)</u>	<u>-</u>
Component unit:						
Library Foundation	<u>\$ 1,190,402</u>	<u>\$ -</u>	<u>\$ 1,425,340</u>	<u>\$ 33,500</u>	<u>-</u>	<u>268,438</u>
General revenues:						
Property taxes					16,761,602	-
Net investment income					64,514	127,397
Unrealized gain on investments					-	342,360
Café fees					-	21,000
Change in value of split interest agreements					(3,000)	-
Total general revenues					<u>16,823,116</u>	<u>490,757</u>
Change in net position					<u>1,707,167</u>	<u>759,195</u>
Net position - beginning of the year					10,440,447	6,410,119
Net position - end of year					<u>\$ 12,147,614</u>	<u>\$ 7,169,314</u>

See accompanying notes to basic financial statements.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

BALANCE SHEET -
GOVERNMENTAL FUNDS

December 31, 2016

	<u>General</u>
ASSETS	
Cash and investments	\$ 3,729,767
Receivables:	
Taxes and assessments	11,871,155
Other	31,902
Prepaid items	234,252
Due from component unit	3,166
Due from related party	5,817
Endowment securities	-
	<u>-</u>
Total assets	<u>\$ 15,876,059</u>
LIABILITIES	
Accounts payable	\$ 64,886
Accrued payroll	288,567
Advances - grants	-
	<u>-</u>
Total liabilities	<u>353,453</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	<u>11,871,155</u>
Total deferred inflows of resources	<u>11,871,155</u>
FUND BALANCES	
Nonspendable:	
Prepaid items	234,252
Legally or contractually required to be maintained intact	-
Restricted:	
Specific library programs	-
Debt service	-
Assigned	356,002
Unassigned	3,061,197
	<u>3,651,451</u>
Total fund balances	<u>3,651,451</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 15,876,059</u>

See accompanying notes to basic financial statements.

<u>Employee Benefit</u>	<u>Debt Service - Bond and Interest</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 2,028,329	\$ 813,000	\$ 2,494,996	\$ 9,066,092
1,491,490	1,427,777	-	14,790,422
2,839	-	-	34,741
-	-	-	234,252
1,408	-	79,593	84,167
3,196	-	-	9,013
-	-	206,532	206,532
<u>\$ 3,527,262</u>	<u>\$ 2,240,777</u>	<u>\$ 2,781,121</u>	<u>\$ 24,425,219</u>
\$ 131,219	\$ -	\$ 12,451	\$ 208,556
157,062	-	-	445,629
-	-	744	744
<u>288,281</u>	<u>-</u>	<u>13,195</u>	<u>654,929</u>
<u>1,491,490</u>	<u>1,427,777</u>	<u>-</u>	<u>14,790,422</u>
<u>1,491,490</u>	<u>1,427,777</u>	<u>-</u>	<u>14,790,422</u>
-	-	-	234,252
-	-	206,532	206,532
-	-	523,265	523,265
-	813,000	-	813,000
1,747,491	-	2,038,129	4,141,622
-	-	-	3,061,197
<u>1,747,491</u>	<u>813,000</u>	<u>2,767,926</u>	<u>8,979,868</u>
<u>\$ 3,527,262</u>	<u>\$ 2,240,777</u>	<u>\$ 2,781,121</u>	<u>\$ 24,425,219</u>

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

December 31, 2016

Total fund balance in governmental fund balance sheet		\$	8,979,868
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			23,804,978
The estimated fair values of split interest agreements are not financial resources and therefore are not reported in the funds.			124,000
Deferred outflows represent a consumption of net position that applies to a future period and so will not be recognized as an expenditure of resources until then.			
Deferred charge on refunding	\$	78,980	
Deferred pension outflow		1,279,254	
		1,358,234	1,358,234
Liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds payable		(4,650,000)	
Premium on bonds payable		(304,374)	
Accrued interest payable		(51,586)	
Compensated absences		(611,471)	
Net OPEB obligation		(9,180,426)	
Net pension liability		(7,104,006)	
		(21,901,863)	(21,901,863)
Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as a revenue until then.			(217,603)
			(217,603)
Net position of governmental activities		\$	12,147,614

See accompanying notes to basic financial statements.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

Year Ended December 31, 2016

	<u>General</u>
REVENUES	
Taxes and assessments	\$ 12,197,874
Intergovernmental revenues	54,756
Contributions	1,579
Investment income	21,291
Overdue fines and fees	228,133
Miscellaneous	221,728
Receipts from component unit	<u>67,609</u>
Total revenues	<u>12,792,970</u>
EXPENDITURES	
Library services	11,038,028
Capital outlay	1,326,485
Debt service:	
Bond principal payment	-
Interest and fiscal charges	-
Payments to component unit	<u>-</u>
Total expenditures	<u>12,364,513</u>
Excess (deficiency) of revenues over (under) expenditures	<u>428,457</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	-
Transfers out	<u>(357)</u>
Total other financing sources (uses)	<u>(357)</u>
Net change in fund balances	428,100
Fund balances, beginning of year	<u>3,223,351</u>
Fund balances, end of year	<u><u>\$ 3,651,451</u></u>

See accompanying notes to basic financial statements.

Employee Benefit	Debt Service - Bond and Interest	Other Governmental Funds	Total Governmental Funds
\$ 2,939,615	\$ 1,624,113	\$ -	\$ 16,761,602
-	-	4,666	59,422
-	-	92,800	94,379
6,324	3,366	33,533	64,514
-	-	-	228,133
600,162	-	2,868	824,758
-	-	373,409	441,018
<u>3,546,101</u>	<u>1,627,479</u>	<u>507,276</u>	<u>18,473,826</u>
3,213,326	-	101,612	14,352,966
-	-	399,555	1,726,040
-	1,450,000	-	1,450,000
-	201,915	-	201,915
-	-	397,560	397,560
<u>3,213,326</u>	<u>1,651,915</u>	<u>898,727</u>	<u>18,128,481</u>
<u>332,775</u>	<u>(24,436)</u>	<u>(391,451)</u>	<u>345,345</u>
-	-	404	404
-	-	(47)	(404)
-	-	357	-
332,775	(24,436)	(391,094)	345,345
<u>1,414,716</u>	<u>837,436</u>	<u>3,159,020</u>	<u>8,634,523</u>
<u>\$ 1,747,491</u>	<u>\$ 813,000</u>	<u>\$ 2,767,926</u>	<u>\$ 8,979,868</u>

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2016

Net change in fund balances - total governmental funds	\$	345,345
Amounts reported for governmental activities in the statement of activities are different because:		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$ 1,724,871) were less than depreciation (\$ 1,746,138) in the current period.</p>		
		(21,267)
<p>The net effect of various miscellaneous transactions involving capital assets is to decrease net position.</p>		
Loss on disposal of capital assets	\$ (380,274)	
Donated capital assets	<u>206,839</u>	(173,435)
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this difference are as follows.</p>		
Principal repayment on general obligation bonds	1,450,000	
Amortization of deferred charge on refunding	(29,617)	
Amortization of bond premiums	<u>114,132</u>	1,534,515
<p>Some expenses reported in the statement of activities do not require the use of current financial resources. The details of these expenses are as follows:</p>		
Accrued interest	15,709	
Accrued net OPEB obligation	(24,667)	
Compensated absences	(45,274)	
Split interest agreements	(3,000)	
Pension contributions	<u>79,241</u>	<u>22,009</u>
Change in net position of governmental activities	\$	<u><u>1,707,167</u></u>

See accompanying notes to basic financial statements.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)

General Fund

Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance with Final Budget Over (Under)
REVENUES			
Ad valorem taxes	\$ 11,007,194	\$ 10,784,246	\$ (222,948)
Delinquent taxes	-	176,957	176,957
Motor vehicle tax	1,272,759	1,379,267	106,508
Payments in lieu of taxes	19,918	43	(19,875)
Revitalization rebates	(141,400)	(142,639)	(1,239)
	12,158,471	12,197,874	39,403
Investment income	1,400	14,329	12,929
Receipts from component units	-	1,638	1,638
Overdue fines and fees	327,120	246,442	(80,678)
Miscellaneous	260,764	233,585	(27,179)
Total revenues	12,747,755	12,693,868	(53,887)
EXPENDITURES			
Library services:			
Contracted - digital services	333,130	358,834	25,704
Contracted - E-rate services	4,400	4,510	110
Contracted - facilities	281,600	233,677	(47,923)
Contracted - office equipment	58,000	57,510	(490)
Contracted - professional	310,000	300,258	(9,742)
Cataloging and ILL services	73,800	80,689	6,889
Digital services support	190,200	121,367	(68,833)
Furniture/equipment	133,700	51,223	(82,477)
Gallery art purchases	5,000	-	(5,000)
Insurance	47,600	46,964	(636)
Marketing	25,000	20,074	(4,926)
Materials	1,676,930	1,661,040	(15,890)
Memberships/dues	22,500	21,653	(847)
Mileage	9,340	8,438	(902)
Miscellaneous	5,000	3,561	(1,439)
Payments to other libraries	91,620	92,792	1,172
Postage/shipping	120,225	79,117	(41,108)
Printing	97,600	96,386	(1,214)
Programming	30,000	18,634	(11,366)
Expenditures - forward	\$ 3,515,645	\$ 3,256,727	\$ (258,918)

(Continued)

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
(Continued)

General Fund

Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance with Final Budget Over (Under)
	<u> </u>	<u> </u>	<u> </u>
Expenditures - forward	\$ 3,515,645	\$ 3,256,727	\$ (258,918)
Salaries and wages	8,363,578	8,170,195	(193,383)
Special projects	272,000	250,895	(21,105)
Staff conferences	90,200	86,442	(3,758)
Staff training	34,000	18,010	(15,990)
Supplies	186,000	160,485	(25,515)
Telecommunications	71,000	32,903	(38,097)
Utilities	500,000	409,031	(90,969)
Vehicle fuel and maintenance	69,000	43,273	(25,727)
Contingency	1,200,000	-	(1,200,000)
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>\$ 14,301,423</u>	12,427,961	<u>\$ (1,873,462)</u>
Net change in fund balances		265,907	
Fund balances, beginning of year		2,967,727	
Less encumbrances - beginning of year		(190,548)	
Add encumbrances - end of year		333,363	
Add cancellations of prior year encumbrances		50,391	
GAAP adjustments		(1,149)	
Fund balances for non-budgeted funds included with the General Fund on GAAP basis financial statements:			
Undesignated Gifts/Memorials		221,377	
Workshops		2,163	
Fun Committee		2,220	
		<u> </u>	
Fund balances, end of year		<u>\$ 3,651,451</u>	

See accompanying notes to basic financial statements.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)

Employee Benefit Fund

Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance with Final Budget Over (Under)
REVENUES			
Ad valorem taxes	\$ 2,618,296	\$ 2,565,523	\$ (52,773)
Delinquent taxes	-	47,179	47,179
Motor vehicle tax	333,386	360,858	27,472
Payments in lieu of taxes	5,793	10	(5,783)
Revitalization rebates	(37,047)	(33,955)	3,092
	<u>2,920,428</u>	<u>2,939,615</u>	<u>19,187</u>
Investment income	100	6,417	6,317
Miscellaneous	204,946	597,267	392,321
	<u>3,125,474</u>	<u>3,543,299</u>	<u>\$ 417,825</u>
EXPENDITURES			
Library services	<u>\$ 4,185,145</u>	3,057,021	<u>\$ (1,128,124)</u>
Net change in fund balances		486,278	
Fund balances, beginning of year		1,414,716	
Less encumbrances - beginning of year		(2,338)	
Add cancellations of prior year encumbrances		1,747	
Add encumbrances - end of year		1,348	
GAAP adjustments		<u>(154,260)</u>	
Fund balances, end of year		<u>\$ 1,747,491</u>	

See accompanying notes to basic financial statements.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

1 - Summary of Significant Accounting Policies

Reporting Entity

The Topeka and Shawnee County Public Library (the Library) is a municipal corporation governed by an appointed ten-member board. The accompanying financial statements present the Library and its component unit, an entity for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the basic financial statements to emphasize it is legally separate from the government. The discretely presented component unit has a December 31 year end.

Discretely Presented Component Unit. The Library Foundation (the Foundation) was organized to promote the continued growth, enhancement and development of library collections, programs, services, technology and physical facilities of the Library by encouraging and soliciting private philanthropic support. Inclusion of the Library Foundation as a discretely presented component unit is warranted by the nature and significance of the relationship between the Library and the Library Foundation.

Complete financial statements for the Foundation are available from the Foundation administrative office.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government and its component unit. The primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

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

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

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the reporting period. Expenditures are recorded when the related fund liability is incurred as under accrual accounting; however, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Significant revenues which are considered susceptible to accrual include property taxes, interest, overdue fines and certain state and federal grants and entitlements. Miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. While property taxes receivable are shown in the financial statements as assets of the Library, they are not recognized as revenue at year end because statutory provisions prohibit their use until the year for which they were raised and budgeted. Instead, they are offset by a deferred inflow of resources account.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Library; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and nearly irrevocable, i.e., revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt, or earlier if they meet the available and measurable criteria.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

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

The Library reports the following major governmental funds:

General Fund is the principal operating fund of the Library and accounts for all unrestricted resources not accounted for in other funds.

Employee Benefit Fund is used for the purpose of paying the Library's share of any employee benefits.

Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal, interest and other related costs of the Library's long-term debt.

Additionally, the Library reports the following fund type:

Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the Library's programs.

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

Pooled Cash and Investments

Cash and investments of the individual funds are combined to form a pool which is managed by the Chief Financial Officer. Each fund's equity in the pool is included in "cash and investments" in the financial statements. These pooled investments consist primarily of operating accounts and investments in the Kansas Municipal Investment Pool (MIP), which is overseen by the State of Kansas. The fair value of the Library's position in the MIP is the same as the pool value of the shares. Investment earnings, including interest income, are allocated to the funds based on each fund's participation in the pool.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Investments and Endowment Securities

Investments and endowment securities for the Library and its component unit are recorded at fair value based on quoted market prices.

Receivables

Receivables are carried at their original amount. Management records an allowance for doubtful accounts when considered necessary based on an analysis of the accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded as revenue when received. All amounts are anticipated to be collectible at December 31, 2016.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets which include land, buildings and improvements, equipment, books and collections and works of art, are reported in the government-wide financial statements. Capital assets are defined as assets with an initial cost of more than \$ 50,000 for buildings and improvements, \$ 5,000 for vehicles and \$ 3,000 for all other assets and an estimated useful life of more than one year. All purchased capital assets are valued at historical cost where records are available and at an estimated historical cost where no such records exist. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

The Library's capital assets, as well as the component unit's assets, are depreciated using the straight-line method over the estimated useful lives of the capital assets. Works of art, which are deemed to be inexhaustible, i.e., assets whose economic life is used up so slowly that its useful life is extraordinarily long, are not depreciated. The estimated useful lives are:

Buildings and improvements	40 years
Equipment	5 to 15 years
Books and collections	5 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Library has two items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item is deferred outflows for pension reported in the government-wide statement of net position. See Note 9 for more information on the deferred outflows for the pension.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Library has two items that qualify for reporting in this category. One item, *unavailable revenue*, is reported in the governmental funds balance sheet and the governmental activities in the government-wide statement of net position. The governmental funds and governmental activities report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is deferred inflows for pension. See Note 9 for more information on the deferred inflows for the pension.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences

The liability for compensated absences in the government-wide statements consists of unpaid, accumulated vacation, holiday and sick leave balances. Under the terms of the Library's personnel policy, employees are granted vacation and sick leave in varying amounts depending upon employee classification and length of service. Holiday leave is provided to employees not scheduled to work on an approved, paid holiday and is available to use up to six months from the date of the accrual, after which time it is forfeited. All regular full-time employees accrue sick leave at the rate of one day per month. Vacation is accumulated at the rate of 12 to 30 days per year depending upon the employee's length of service and classification. Typically, accumulated vacation in excess of a one year accrual is forfeited as of December 31 each year. Vacation is prorated for part-time employees. Employees retiring from or terminating their employment with the Library are eligible to receive payment for their accumulated vacation. Employees retiring from the Library are eligible to receive payment for a portion of their accumulated sick leave. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts and refunding differences are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pensions

For purposes of measuring the collective net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Kansas Public Employees Retirement System (KPERS) and additions to/deductions from KPERS' fiduciary net position have been determined on the same basis as they are reported by KPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The KPERS investments are reported at fair value.

Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance classifications based primarily on the extent to which the Library is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of December 31, 2016, fund balances for governmental funds are made up of the following:

Nonspendable fund balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted fund balance – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed fund balance – includes amounts that can only be spent for specific purposes determined by a formal action of the Library's highest level of decision-making authority, the Board of Trustees. Commitments may be changed or lifted only by the Board of Trustees taking the same formal action that imposed the constraint originally.

Assigned fund balance – includes amounts intended to be used by the Library for specific purposes that are neither restricted nor committed. Intent is expressed by (1) the Board of Trustees or (2) a body or official to which the Board of Trustees has delegated the authority to assign amounts to be used for specific purposes.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Fund Balances (Continued)

Unassigned fund balance – is the residual classification for the General Fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

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

Use of Estimates

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

Budgetary Policy

Kansas statutes require that an annual operating budget be legally adopted for the general fund, employee benefit fund, debt service fund and state aid fund. A legal operating budget is not required for the capital improvement fund and certain special revenue funds. The statutes provide for the following timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in a local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Budgetary Policy (Continued)

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no official budget amendments during 2016.

Under Kansas statutes management cannot amend the budget without approval of the governing body. However, the statutes permit transferring budgeted amounts between line items within an individual fund. Such statutes prohibit creating expenditures in excess of the total amount of the adopted budget of expenditures of individual funds.

All legal annual operating budgets are prepared using the cash basis of accounting, modified by the recording of encumbrances. Normally, revenues are recognized when cash is received (if not susceptible to accrual). Expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitments, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year end. Encumbrances outstanding at year end do not constitute liabilities because the commitments will be honored during the subsequent years.

The Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds reports revenues and expenditures on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Encumbrances are not included as expenditures. The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual includes the general fund and the budgeted special revenue fund (employee benefit fund) and is prepared on the basis utilized in preparing the budget and, accordingly, includes encumbrances as expenditures.

Spending of funds which are not subject to the legal annual operating budget requirements is controlled by federal regulations, other statutes or by the use of internal spending limits established by the governing body.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pending Governmental Accounting Standards Board Statements

At December 31, 2016, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the Library. The statements that might impact the Library are as follows:

GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about the OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. The provisions of this statement are effective for periods beginning after June 15, 2017.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. A government must also recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This statement requires that a government recognize revenue when the resources become applicable to the reporting period. The provisions of this statement are effective for periods beginning after December 15, 2016 and should be applied retroactively.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

2 - Cash and Investments

Credit risk. Kansas State statutes authorize the Library, with certain restrictions, to deposit or invest in temporary notes, no-fund warrants, open accounts, time deposits, certificates of deposit, repurchase agreements, U.S. Treasury Bills and Notes, the State of Kansas municipal investment pool (MIP) or to make direct investments. The Library's investment policy does not place requirements on the credit quality ratings of its endowment securities. The Library's investments in bond mutual funds were rated C by Standard & Poor's. The Library's investments in the MIP were rated AA Af/S1+ by Standard & Poor's. The Foundation is not required to follow Kansas State statutes and thus may invest in any instrument allowed by the Foundation's investment policies.

Custodial credit risk. In the case of deposits, this is the risk that in the event of a bank failure, the Library's deposits may not be returned. For an investment, this is the risk that, in the event of the failure of the 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. Statutes require that collateral pledged must have a fair market value equal to 100% of the deposits and investments, less insured amounts, and must be assigned for the benefit of the Library. Endowment securities in the amount of \$ 206,532 had a custodial credit risk exposure because the related securities are uninsured, unregistered and held by the Library's investment manager, which is also the counterparty for these particular transactions.

Interest rate risk. Interest rate risk is the risk that changes in the interest rates may adversely affect an investment's fair value. The Library is not exposed to significant interest rate risk.

Concentration of credit risk. The Library's investment policy does not place any limitations on the percentage of the Library's deposits and investments that may be with any one issuer. Kansas statutes indirectly prohibit such a limitation, as local banks must be given preference on each investment of idle funds.

Fair Value Measurement. The Library and the Foundation categorize their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

2 - Cash and Investments (Continued)

As of December 31, 2016, the Library's endowment securities including cash and cash equivalents, mutual funds, and hedge funds of \$ 75,538 were valued with quoted prices on the active market (Level 1 input), endowment securities including mutual funds of \$ 130,994 were valued using pricing of similar assets in markets that were not active (Level 2 input), and the MIP balance of \$ 5,054,333 was valued using significant unobservable inputs (Level 3 input).

As of December 31, 2016, the Foundation's money market mutual funds, mutual funds, bonds and equities of \$ 6,656,703 were valued with quoted prices on the active market (Level 1 input). Certain other investments of \$ 297,236 that are measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy.

At December 31, 2016, the Library had the following investment in the MIP:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>
State of Kansas Municipal Investment Pool	< 1 year	\$ 5,054,333

The deposits and investments of the Library are shown in the financial statements as follows:

Cash and cash equivalents, including petty cash and change funds of \$ 3,396	<u>\$ 9,066,092</u>
Endowment securities:	
Cash and cash equivalents	6,651
Fixed income mutual funds	72,760
Equity mutual funds	98,522
Hedge funds	16,203
Commodities mutual fund	4,308
Real estate equity mutual fund	8,088
	<u>206,532</u>
	<u>\$ 9,272,624</u>

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

2 - Cash and Investments (Continued)

The Foundation's total investments at December 31, 2016 were as follows:

	Carrying Amount - Fair Value	Cost
Money market funds	\$ 273,327	\$ 273,327
Certificates of deposit	270,408	270,408
Mutual funds	6,132,649	5,621,753
Corporate bonds	235,195	230,065
Equities	15,532	22,927
Investments held in trust at Topeka Community Foundation	297,236	177,428
Total investments	\$ 7,224,347	\$ 6,595,908

The Foundation's total investments are shown in the financial statements as follows:

Investments:	
Unrestricted	\$ 1,637,108
Temporarily restricted	3,931,888
Permanently restricted	1,655,351
	\$ 7,224,347

3 - Tax Revenue

The Library's property tax is levied each November 1 on the assessed value as of the prior January 1 for all property located in the Library's jurisdiction. A lien is automatically put on the property on November 1 of the year levied. Assessed values are established by the Shawnee County Appraiser. The assessed value on which the 2016 levy was based was \$ 1,540,770,921. During the year ended December 31, 2016, the Library collected approximately 98% of property taxes which were levied for the period.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

3 - Tax Revenue (Continued)

Property taxes are due in total by December 20 following the levy date, or they may be paid in equal installments if paid by December 20 and the following May 10. Property taxes are collected by Shawnee County.

State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year, because these revenues are designated to finance the following year's operations. Therefore, taxes levied in the current year are recorded as taxes receivable and unavailable revenue at year end and are recognized as revenue, net of estimated uncollectible and delinquent amounts, in the year for which they were budgeted.

Taxes receivable include property taxes levied for 2016 and prior years which have not yet been collected and are reflected as unavailable revenue.

Tax revenue, including interest and penalties, by fund type for fiscal year 2016 is as follows:

	General	Employee Benefit	Debt Service - Bond and Interest	Total
Ad valorem taxes	\$ 10,784,246	\$ 2,565,523	\$ 1,418,418	\$ 14,768,187
Delinquent taxes	176,957	47,179	24,965	249,101
Motor vehicle tax	1,379,267	360,858	199,494	1,939,619
Payments in lieu of taxes	43	10	5	58
Revitalization rebates	(142,639)	(33,955)	(18,769)	(195,363)
	<u>\$ 12,197,874</u>	<u>\$ 2,939,615</u>	<u>\$ 1,624,113</u>	<u>\$ 16,761,602</u>

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

3 - Tax Revenue (Continued)

The Library's property tax levies per \$ 1,000 assessed valuation for 2016 property tax revenues were as follows:

Fund	Levy
General	\$ 7.144
Employee Benefit	1.699
Debt Service - Bond and Interest	0.939
	\$ 9.782

4 - Split Interest Agreements

The Library is the beneficiary of a charitable lead trust and a perpetual trust. The terms of the charitable lead trust are for the beneficiaries to receive six percent of the value of the trust in quarterly payments. The Library is a beneficiary of ten percent of that distribution. The approximate value of the Library's portion of the charitable lead trust was \$ 69,000 at December 31, 2016. The terms of the perpetual trust are for the Library as sole beneficiary to receive the net income from the trust semiannually. The distributions are to be used for the purchase of books on history, art, travel and science. The approximate value of the Library's portion of the perpetual trust was \$ 55,000 at December 31, 2016. The split interest agreements are recorded at the estimated fair value based on the present value of future distributions using assumptions of an eight percent rate of return over twenty years.

5 - Transactions with Related Parties

Library Foundation

The Foundation held certain restricted investments and related activity for the Library in order to pool funds and receive higher investment returns (see Note 2). The investment income, unrealized gains and losses and investment costs of those investments were recorded on the Foundation's accounts each month, net of the Library's portion. During the year ended December 31, 2016, those investments totaling \$ 334,560 were transferred to the ownership of the Foundation.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

5 - Transactions with Related Parties (Continued)

Library Foundation (Continued)

The Foundation's income distribution policy requires that the Foundation make an annual distribution to the Library in an amount equivalent to five percent of the market value of all unrestricted and undesignated non-endowed funds averaged over the period of the preceding 20 quarters. The income distribution in 2016 to the Library was \$ 63,158.

Also, as provided in the income distribution policy of the Foundation, the Foundation's trustees shall consider requests from the Library on a case-by-case basis. The Foundation transferred restricted assets to the Library for the following purposes during the year ended December 31, 2016:

General	\$ 1,638
Library materials	22,330
Undesignated gifts	2,813
Youth services	19,876
NEH expendable trust	15,931
Bookmobile	284,420
Children's art show	437
Gallery competition	8,690
Special collections	21,725
	<hr/>
	\$ 377,860
	<hr/>

The Foundation uses Library employees to perform most of its operations. The Foundation reimburses the Library for 50% of the development director's salary and related benefits and 100% of the development associate's salary and related benefits. All payroll and withholding activities for these employees are performed by the Library. The total amount paid during 2016 to the Library for salaries and benefits was \$ 117,228.

During 2016, the Foundation accepted a gift of land and a building from the Sisters of Charity of Leavenworth Health Services Corporation and subsequently transferred the assets to the Library.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

5 - Transactions with Related Parties (Continued)

Library Foundation (Continued)

Amounts due from the component unit consist of the following at December 31, 2016:

Distributions held on behalf of Library	\$ 79,593
Due for reimbursement of payroll	<u>4,574</u>
	<u>\$ 84,167</u>

Friends of the Library

The Friends of the Library (the Friends) supports the operations of the Library by providing funds for the purchase of books and equipment and various Library projects.

The Friends also pays the Library for 80% of the salary and benefits of the Friends' office manager. The office manager is considered a loaned employee of the Library and is subject to all of the Library's policies and procedures. The total amount paid during 2016 to the Library for salaries and benefits was \$ 63,386. The amount due from the Friends for salaries and benefits at December 31, 2016 was \$ 7,830.

The Friends also reimburses the Library for the operating expenses incurred by the Friends' organization during the year. The total amount paid to the Library for various operating expenses was \$ 15,716. The amount due from the Friends for various operating expenses at December 31, 2016 was \$ 1,183.

The Library makes an annual request of the Friends for a contribution to be used for various Library projects. In 2016, the Friends contributed \$ 92,800 to the Library to fund the Library's requests. The Library subsequently contributed \$ 63,000 of this amount to the Library Foundation for the Dolly Parton Imagination Library.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Capital Assets

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 938,029	\$ 192,200	\$ -	\$ 1,130,229
Works of art	2,165,609	10,814	-	2,176,423
Work in progress	96,105	136,698	(96,105)	136,698
Total capital assets not being depreciated	3,199,743	339,712	(96,105)	3,443,350
Capital assets being depreciated:				
Buildings and improvements	28,628,011	-	-	28,628,011
Equipment	5,797,086	513,846	(85,509)	6,225,423
Books and collections	9,665,161	1,174,257	(1,203,836)	9,635,582
Total capital assets being depreciated	44,090,258	1,688,103	(1,289,345)	44,489,016
Less accumulated depreciation for:				
Buildings and improvements	(11,002,679)	(746,874)	-	(11,749,553)
Equipment	(4,091,047)	(336,325)	84,248	(4,343,124)
Books and collections	(8,196,595)	(662,939)	824,823	(8,034,711)
Total accumulated depreciation	(23,290,321)	(1,746,138)	909,071	(24,127,388)
Total capital assets being depreciated, net	20,799,937	(58,035)	(380,274)	20,361,628
Capital assets, net	\$ 23,999,680	\$ 281,677	\$ (476,379)	\$ 23,804,978

Depreciation expense of \$ 1,746,138 was charged to the Library services function of the primary government.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

7 - Long-Term Debt

The following is a summary of long-term debt transactions of the Library for the year ended December 31, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
G.O. Refunding Bonds, Series 2012	\$ 6,100,000	\$ -	\$ 1,450,000	\$ 4,650,000	\$ 1,500,000
Plus deferred amounts:					
Issuance premiums	418,506	-	114,132	304,374	-
Compensated absences	566,197	498,958	453,684	611,471	489,072
Net OPEB obligation	9,155,759	174,927	150,260	9,180,426	-
Net pension liability	6,055,405	1,048,601	-	7,104,006	-
Total long-term debt	<u>\$ 22,295,867</u>	<u>\$ 1,722,486</u>	<u>\$ 2,168,076</u>	<u>\$ 21,850,277</u>	<u>\$ 1,989,072</u>

The General Obligation Refunding Bonds, Series 2012 are due in annual payments graduating from \$ 1,500,000 on September 1, 2017 to \$ 1,600,000 on September 1, 2019. The bonds bear interest at rates ranging from 3.00% - 3.50% payable semi-annually.

Compensated absences, the net pension liability, and the net OPEB obligation are generally liquidated by the general fund and employee benefit fund.

The future annual debt service requirements to amortize general obligation bonds outstanding as of December 31, 2016 are as follows:

For the Year Ending December 31,	Principal	Interest	Total
2017	\$ 1,500,000	\$ 154,750	\$ 1,654,750
2018	1,550,000	102,250	1,652,250
2019	1,600,000	48,000	1,648,000
	<u>\$ 4,650,000</u>	<u>\$ 305,000</u>	<u>\$ 4,955,000</u>

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

7 - Long-Term Debt (Continued)

Bonded Indebtedness Limitation

Kansas Statutes Annotated 12-1270 states that the general obligation bonds are not subject to any bonded debt limit of the city or county.

8 - Operating Leases

The Library has entered into several operating leases for office equipment. Future payments required under operating lease agreements are as follows:

<u>For the Year Ending December 31,</u>	
2017	\$ 44,170
2018	35,858
2019	13,551
2020	10,394
2021	7,796
	<hr/>
	<u>\$ 111,769</u>

Operating lease expense was approximately \$ 42,000 for the year ending December 31, 2016.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

9 - Defined Benefit Pension Plan

General Information About the Pension Plan

Description of Pension Plan. The Library participates in a cost-sharing multiple-employer defined benefit pension plan (Pension Plan), as defined in Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*. The Pension Plan is administered by the Kansas Public Employees Retirement System (KPERS), a body corporate and an instrumentality of the State of Kansas. KPERS provides benefit provisions to the following statewide pension groups under one plan, as provided by K.S.A. 74, article 49:

- Public employees, which includes:
 - State/School employees
 - Local employees
- Police and Firemen
- Judges

Substantially all public employees in Kansas are covered by the Pension Plan. Participation by local political subdivisions is optional, but irrevocable once elected.

Those employees participating in the Pension Plan for the Library are included in the Local employee group.

KPERS issues a stand-alone comprehensive annual financial report, which is available on the KPERS website at www.kpers.org.

Benefits Provided. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Benefits are established by statute and may only be changed by the Kansas Legislature. Member employees 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 an employee's combined age and years of credited service equal 85 points.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

9 - Defined Benefit Pension Plan (Continued)

General Information About the Pension Plan (Continued)

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, member employees may withdraw their contributions from their individual accounts, including interest. Member employees 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.

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

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

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

Contributions. 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.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

9 - Defined Benefit Pension Plan (Continued)

General Information About the Pension Plan (Continued)

State law provides that the employer contribution rates are determined based on the results of an annual actuarial valuation for each of the three state-wide pension groups. The contributions and assets of all groups are deposited in the Kansas Public Employees Retirement Fund established by K.S.A. 74-4921. KPERS is funded on an actuarial reserve basis.

For KPERS fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 1.1% of total payroll for the KPERS fiscal year ended June 30, 2016.

The actuarially determined employer contribution rate (not including the 1% contribution rate for the Death and Disability Program) and the statutory contribution rate were 9.18% for the fiscal year ended December 31, 2016. Contributions to the Pension Plan from the Library were \$ 719,190 for the year ended December 31, 2016.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

9 - Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the Library reported a liability of \$ 7,104,006 for its proportionate share of the KPERS collective net pension liability. The collective net pension liability was measured by KPERS as of June 30, 2016, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2015, which was rolled forward to June 30, 2016. 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, KPERS maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedules of pension amounts by employer and nonemployer. The Library's proportion of the collective net pension liability was based on the ratio of the Library's actual contributions to KPERS, relative to the total employer and nonemployer contributions of the Local group within KPERS for the KPERS fiscal year ended June 30, 2016. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2016, the Library's proportion was .459203%, which was a decrease of .00197% from its proportion measured as of June 30, 2015.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

9 - Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended December 31, 2016, the Library recognized pension expense of \$ 642,686. At December 31, 2016, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 41,232	\$ 128,220
Net difference between projected and actual earnings on pension plan investments	839,195	-
Changes of assumptions	-	66,454
Changes in proportionate share	40,238	22,929
Library contributions subsequent to measurement date	358,589	-
Total	\$ 1,279,254	\$ 217,603

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

9 - Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The \$ 358,589 reported as deferred outflows of resources related to pensions resulting from the Library's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	
2017	\$ 71,125
2018	71,125
2019	329,923
2020	228,675
2021	2,214
	\$ 703,062

Actuarial assumptions. The total pension liability for KPERS in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	3.00 percent
Wage inflation	4.00 percent
Salary increases, including price inflation	4.00 to 16.00 percent, including inflation
Long-term rate of return, net of investment expense, including price inflation	8.00 percent

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

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

9 - Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study, which covered the three-year period ending December 31, 2012.

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, 2016 are summarized in the following table:

Asset Class	Long-Term Target Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.80%
Fixed income	13%	1.25%
Yield driven	8%	6.55%
Real return	11%	1.71%
Real estate	11%	5.05%
Alternatives	8%	9.85%
Short-term investments	2%	(0.25)%
Total	100%	

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

9 - Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Discount rate. The discount rate used by KPERS to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. The Local employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the KPERS Board of Trustees for this group may not increase by more than the statutory cap. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in the future. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Library's proportionate share of the collective net pension liability to changes in the discount rate. The following presents the Library's proportionate share of the collective net pension liability calculated using the discount rate of 8.00%, as well as what the Library's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Library's proportionate share of the collective net pension liability	\$ 9,737,189	\$ 7,104,006	\$ 4,871,272

Pension plan fiduciary net position. Detailed information about the Pension Plan's fiduciary net position is available in the separately issued KPERS financial report.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Other Postemployment Healthcare Benefits

Plan Description. The Library offers postemployment medical and dental insurance to its retirees and dependents. The benefits are provided through a fully-insured arrangement that operates as a single-employer defined benefit plan. This arrangement does not qualify as an “OPEB Plan” under GASB requirements and thus cannot be treated as holding assets for GASB reporting. Qualifying retirees are those employees with 520 consecutive weeks of full-time employment with the Library who are eligible to receive pension benefits under the Kansas Public Employees’ Retirement System. Retirees may continue coverage with the Library by paying 50% of the group plan premium. Coverage is available for the life of the retiree. Spouses may continue coverage upon retiree death under the Consolidated Omnibus Budget Reconciliation Act (COBRA) for up to 36 months. The Plan does not issue a standalone financial report.

The postemployment medical and dental insurance plan was amended in April 2015. Starting in 2016 retirees must contribute Medical/Rx group plan premiums less an amount that varies based on hours worked at retirement. In all cases, retirees must contribute group plan premiums to continue Dental coverage. Starting in 2017, a premium reduction for Medical/Rx coverage is available from the later of January 1, 2017 or the commencement of benefits for up to 36 months not to exceed retiree age 65. After this period retirees must contribute full group premiums without any reduction. Effective January 1, 2017 access to retiree post-65 coverage is eliminated.

Funding Policy. The Library provides medical and dental insurance benefits to retirees and their dependents in accordance with Kansas law (K.S.A. 12-5040). Library policy, which may be amended by the Board of Trustees, establishes that participating retirees contribute Medical/Rx group plan premiums less an amount that varies based on hours worked at retirement to the plan. The funding policy of the Library is to pay retiree premiums as they come due through the employee benefit fund. In 2016, retired plan members receiving benefits contributed \$ 78,968 to the plan, and the Library contributed \$ 150,260.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Other Postemployment Healthcare Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation. The Library's annual OPEB (other postemployment benefit) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with parameters of GASB 45. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table presents the components of the Library's annual OPEB cost for the year, the amount contributed to the plan, and the changes in the Library's net OPEB obligation.

Annual required contribution	\$	279,942
Interest on amortized liability		320,452
Adjustment to the ARC		(425,467)
		174,927
Annual OPEB cost (expense)		174,927
Contributions made		(150,260)
		24,667
Increase in net OPEB obligation		24,667
Net OPEB obligation, January 1, 2016		9,155,759
		9,155,759
Net OPEB obligation, December 31, 2016	\$	9,180,426

Schedule of Employer Contributions (for fiscal year ended):

Year	Annual OPEB Cost	Employer Contributions	Percentage Contributed	End of Year Net OPEB Obligation
2016	\$ 174,927	\$ 150,260	85.9%	\$ 9,180,426
2015	174,859	180,762	103.4%	9,155,759
2014	1,824,824	186,594	10.2%	9,161,662

Funded Status and Funding Progress. As of January 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$ 2,406,440. The Library's policy is to fund the benefits on a pay-as-you-go basis, resulting in an unfunded actuarial accrued liability (UAAL) of \$ 2,406,440. The covered payroll (annual payroll of active employees covered by the plan) was \$ 7,667,138, and the ratio of the UAAL to the covered payroll was 31.4 percent.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Other Postemployment Healthcare Benefits (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The valuation includes, for example, assumptions about future employment, mortality and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with the past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2015 actuarial valuation, the projected unit credit method was applied. The actuarial assumptions included a 3.50 percent investment rate of return, which is based on an analysis of long-term experience of comparable asset classes anticipated to be held by the Library. The valuation assumed annual medical care cost trend rates of 7.50, 7.00, 6.50, 6.00, 5.75, 5.50, and 5.25 percent in the first seven years and an ultimate rate of 5.00 percent after seven years. The valuation assumed an annual dental care cost trend rate of 3.75 percent per year. The UAAL is being amortized over a 30 year open period on a level percent-of-pay basis.

11 - Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There has been no significant change in insurance coverage from the previous fiscal year. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

12 - Commitments and Contingencies – Encumbrances

The Library uses encumbrances to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to executory 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, committed, or assigned fund balance. At December 31, 2016, the Library’s recorded encumbrances in governmental funds were as follows:

General	\$ 356,002
Employee benefit	1,348
Other nonmajor governmental funds	149,164
	\$ 506,514

13 - Tax Abatements

The City of Topeka and Shawnee County enter into property tax abatement agreements with local businesses for the purpose of attracting businesses within their jurisdictions. For the fiscal year ended December 31, 2016, abated property taxes that impacted the Library totaled \$ 509,171, including the following tax abatement agreements that each exceeded 10 percent of the total amount abated:

- A property tax abatement to a retail distribution center. The Library’s portion of the abatement amounted to \$ 159,724.
- A property tax abatement to a food manufacturer and distributor. The Library’s portion of the abatement amounted to \$ 66,583.
- A property tax abatement to a pet food manufacturer. The Library’s portion of the abatement amounted to \$ 56,000.
- A property tax abatement to a different pet food manufacturer and distributor. The Library’s portion of the abatement amounted to \$ 61,473.

REQUIRED SUPPLEMENTARY INFORMATION

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

Schedule of Funding Progress

Health Insurance Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2012	\$ -	\$ 12,096,837	\$ 12,096,837	0.0%	\$ 7,450,072	162.4%
1/1/2014	\$ -	\$ 16,232,953	\$ 16,232,953	0.0%	\$ 7,474,160	217.2%
1/1/2015	\$ -	\$ 2,406,440	\$ 2,406,440	0.0%	\$ 7,667,138	31.4%

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY
 REQUIRED SUPPLEMENTARY INFORMATION
 Schedule of the Library's Proportionate Share of the Collective Net Pension Liability
 Kansas Public Employees Retirement System
 Last Three KPERS Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>
The Library's proportion of the collective net pension liability	0.459203%	0.461173%	0.457752%
The Library's proportionate share of the collective net pension liability	\$ 7,104,006	\$ 6,055,405	\$ 5,634,071
The Library's covered-employee payroll	\$ 7,696,374	\$ 7,521,499	\$ 7,426,948
The Library's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	92%	81%	76%
Plan fiduciary net position as a percentage of the total pension liability	65.10%	64.95%	66.60%

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY
 REQUIRED SUPPLEMENTARY INFORMATION
 Schedule of the Library's Contributions
 Kansas Public Employees Retirement System
 Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 719,190	\$ 740,553	\$ 669,615	\$ 593,151	\$ 536,363	\$ 506,521	\$ 467,450	\$ 427,265	\$ 340,975	\$ 276,992
Contributions in relation to the contractually required contribution	(719,190)	(740,553)	(669,615)	(593,151)	(536,363)	(506,521)	(467,450)	(427,265)	(340,975)	(276,992)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The Library's covered-employee payroll	\$ 7,733,114	\$ 7,632,953	\$ 7,411,603	\$ 7,469,762	\$ 7,299,529	\$ 7,513,393	\$ 7,613,172	\$ 7,814,308	\$ 6,940,566	\$ 6,459,140
Contributions as a percentage of covered-employee payroll	9.00%	10.00%	9.00%	8.00%	7.00%	7.00%	6.00%	5.00%	5.00%	4.00%

SUPPLEMENTARY INFORMATION

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

COMBINING BALANCE SHEET -
GENERAL FUND

December 31, 2016

	General	State Aid	Undesignated Gifts/ Memorials
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and investments	\$ 3,503,427	\$ -	\$ 221,957
Receivables:			
Taxes and assessments	11,871,155	-	-
Other	31,902	-	-
Prepaid items	234,252	-	-
Due from component unit	3,166	-	-
Due from related party	5,817	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 15,649,719</u>	<u>\$ -</u>	<u>\$ 221,957</u>
LIABILITIES			
Accounts payable	\$ 64,306	\$ -	\$ 580
Accrued payroll	288,567	-	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>352,873</u>	<u>-</u>	<u>580</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	11,871,155	-	-
	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>11,871,155</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable:			
Prepaid items	234,252	-	-
Assigned	333,363	-	22,539
Unassigned	2,858,076	-	198,838
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>3,425,691</u>	<u>-</u>	<u>221,377</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 15,649,719</u>	<u>\$ -</u>	<u>\$ 221,957</u>

<u>Workshops</u>	<u>Adult Programs</u>	<u>Podcamp Topeka</u>	<u>Fun Committee</u>	<u>Intergovernmental Cooperation Council</u>	<u>Total General Fund</u>
\$ 2,163	\$ -	\$ -	\$ 2,220	\$ -	\$ 3,729,767
-	-	-	-	-	11,871,155
-	-	-	-	-	31,902
-	-	-	-	-	234,252
-	-	-	-	-	3,166
-	-	-	-	-	5,817
<u>\$ 2,163</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,220</u>	<u>\$ -</u>	<u>\$ 15,876,059</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,886
-	-	-	-	-	288,567
-	-	-	-	-	353,453
-	-	-	-	-	11,871,155
-	-	-	-	-	11,871,155
-	-	-	-	-	234,252
-	-	-	100	-	356,002
2,163	-	-	2,120	-	3,061,197
<u>2,163</u>	<u>-</u>	<u>-</u>	<u>2,220</u>	<u>-</u>	<u>3,651,451</u>
<u>\$ 2,163</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,220</u>	<u>\$ -</u>	<u>\$ 15,876,059</u>

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GENERAL FUND

Year Ended December 31, 2016

	<u>General</u>	<u>State Aid</u>	<u>Undesignated Gifts/ Memorials</u>
REVENUES			
Taxes and assessments	\$ 12,197,874	\$ -	\$ -
Intergovernmental revenues	-	54,756	-
Investment income	13,978	-	7,312
Overdue fines and fees	228,133	-	-
Miscellaneous	219,556	-	-
Contributions	-	-	-
Receipts from component unit	1,638	-	65,971
	<u>12,661,179</u>	<u>54,756</u>	<u>73,283</u>
Total revenues			
EXPENDITURES			
Library services	10,941,878	33,085	60,117
Capital outlay	1,261,337	54,756	10,392
	<u>12,203,215</u>	<u>87,841</u>	<u>70,509</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	457,964	(33,085)	2,774
OTHER FINANCING USES			
Transfers out	-	-	-
	<u>457,964</u>	<u>(33,085)</u>	<u>2,774</u>
Net change in fund balances			
Fund balances, beginning of year	<u>2,967,727</u>	<u>33,085</u>	<u>218,603</u>
Fund balances, end of year	<u>\$ 3,425,691</u>	<u>\$ -</u>	<u>\$ 221,377</u>

<u>Workshops</u>	<u>Adult Programs</u>	<u>Podcamp Topeka</u>	<u>Fun Committee</u>	<u>Intergovernmental Cooperation Council</u>	<u>Total General Fund</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,197,874
-	-	-	-	-	54,756
1	-	-	-	-	21,291
-	-	-	-	-	228,133
-	3	-	2,169	-	221,728
-	-	-	-	1,579	1,579
-	-	-	-	-	67,609
<u>1</u>	<u>3</u>	<u>-</u>	<u>2,169</u>	<u>1,579</u>	<u>12,792,970</u>
-	-	-	1,369	1,579	11,038,028
-	-	-	-	-	1,326,485
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,369</u>	<u>1,579</u>	<u>12,364,513</u>
1	3	-	800	-	428,457
-	(30)	(327)	-	-	(357)
<u>1</u>	<u>(27)</u>	<u>(327)</u>	<u>800</u>	<u>-</u>	<u>428,100</u>
<u>2,162</u>	<u>27</u>	<u>327</u>	<u>1,420</u>	<u>-</u>	<u>3,223,351</u>
<u>\$ 2,163</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,220</u>	<u>\$ -</u>	<u>\$ 3,651,451</u>

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS

December 31, 2016

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Capital Improvement	Grants	Other Special Revenue	Permanent Funds	
ASSETS					
Cash and investments	\$ 2,024,188	\$ 744	\$ 470,064	\$ -	\$ 2,494,996
Due from component unit	-	-	79,593	-	79,593
Endowment securities	-	-	-	206,532	206,532
Total assets	<u>\$ 2,024,188</u>	<u>\$ 744</u>	<u>\$ 549,657</u>	<u>\$ 206,532</u>	<u>\$ 2,781,121</u>
LIABILITIES					
Accounts payable	\$ 1,169	\$ -	\$ 11,282	\$ -	\$ 12,451
Advances - grants	-	744	-	-	744
Total liabilities	<u>1,169</u>	<u>744</u>	<u>11,282</u>	<u>-</u>	<u>13,195</u>
FUND BALANCES					
Nonspendable:					
Legally or contractually required to be maintained intact	-	-	-	206,532	206,532
Restricted:					
Specific library programs	-	-	523,265	-	523,265
Assigned	2,023,019	-	15,110	-	2,038,129
Total fund balances	<u>2,023,019</u>	<u>-</u>	<u>538,375</u>	<u>206,532</u>	<u>2,767,926</u>
Total liabilities and fund balances	<u>\$ 2,024,188</u>	<u>\$ 744</u>	<u>\$ 549,657</u>	<u>\$ 206,532</u>	<u>\$ 2,781,121</u>

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2016

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Capital Improvement	Grants	Other Special Revenue	Permanent Funds	
REVENUES					
Intergovernmental revenues	\$ -	\$ 4,666	\$ -	\$ -	\$ 4,666
Contributions	-	-	92,800	-	92,800
Investment income	6,834	-	2,987	23,712	33,533
Miscellaneous	-	-	2,868	-	2,868
Receipts from component unit	-	-	373,409	-	373,409
Total revenues	6,834	4,666	472,064	23,712	507,276
EXPENDITURES					
Library services	-	4,666	96,946	-	101,612
Capital outlay	46,063	-	353,492	-	399,555
Payments to component unit	-	-	63,000	334,560	397,560
Total expenditures	46,063	4,666	513,438	334,560	898,727
Deficiency of revenues under expenditures	(39,229)	-	(41,374)	(310,848)	(391,451)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	404	-	404
Transfers out	-	(47)	-	-	(47)
Total other financing sources (uses)	-	(47)	404	-	357
Net change in fund balances	(39,229)	(47)	(40,970)	(310,848)	(391,094)
Fund balances, beginning of year	2,062,248	47	579,345	517,380	3,159,020
Fund balances, end of year	\$ 2,023,019	\$ -	\$ 538,375	\$ 206,532	\$ 2,767,926

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

COMPARISON OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (BUDGET BASIS)

Debt Service - Bond and Interest Fund

Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance with Final Budget Over (Under)
REVENUES			
Taxes and assessments:			
Ad valorem taxes	\$ 1,446,979	\$ 1,418,418	\$ (28,561)
Delinquent taxes	-	24,965	24,965
Motor vehicle tax	183,892	199,494	15,602
Payments in lieu of taxes	2,469	5	(2,464)
Revitalization rebate	(20,444)	(18,769)	1,675
	<u>1,612,896</u>	<u>1,624,113</u>	<u>11,217</u>
Investment income	<u>600</u>	<u>2,768</u>	<u>2,168</u>
Total revenues	<u>\$ 1,613,496</u>	<u>1,626,881</u>	<u>\$ 13,385</u>
EXPENDITURES			
Bond principal payment	\$ 1,450,000	1,450,000	\$ -
Interest and fiscal charges	201,905	201,915	10
Reserve	750,000	-	(750,000)
Total expenditures	<u>\$ 2,401,905</u>	<u>1,651,915</u>	<u>\$ (749,990)</u>
Net change in fund balances		(25,034)	
Fund balances, beginning of year		837,436	
GAAP adjustments		<u>598</u>	
Fund balances, end of year		<u>\$ 813,000</u>	

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

COMPARISON OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (BUDGET BASIS)

State Aid Fund

Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance with Final Budget Over (Under)
REVENUES			
Intergovernmental revenues	\$ 65,000	\$ 54,756	\$ (10,244)
EXPENDITURES			
Library services	\$ 65,000	54,756	\$ (10,244)
Net change in fund balances		-	
Fund balances, beginning of year		33,085	
Less encumbrances - beginning of year		<u>(33,085)</u>	
Fund balances, end of year		<u>\$ -</u>	



INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Trustees
Topeka and Shawnee County Public Library:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Topeka and Shawnee County Public Library (the Library), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Library’s basic financial statements, and have issued our report thereon dated April 12, 2017. The financial statements of the Library Foundation were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Library Foundation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Library’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Berwick Trahan + Co., P.A.

Topeka, Kansas
April 12, 2017