



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

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

BASIC FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2017

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

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Year Ended December 31, 2017

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TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

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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, 2017, 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, 2017, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, on January 1, 2017, the Library adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions* and Governmental Accounting Standards Board Statement No. 81, *Irrevocable Split-Interest Agreements*. Our opinion is not modified with respect to this matter.

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 16, 2018 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.

Berberich Trahan & Co., P.A.

Topeka, Kansas
April 16, 2018

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, 2017. 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 \$20,203,976 as of December 31, 2017. The unrestricted net position available to be used to meet the Library's ongoing obligations has resulted in a negative amount of \$1,516,540. 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 third 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. 75 (see footnote 10) represents a significant reported liability. GASB Statement No. 75 titled “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” replaces GASB Statement No. 45 effective for fiscal years beginning after June 15, 2017 with earlier adoption encouraged. The Library decided to early adopt GASB Statement No. 75 effective with fiscal year 2017.

In 2017, 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 adoption of GASB Statement No. 75 eliminates reporting the Net OPEB Obligation and requires the full liability to be recognized immediately. The total OPEB actuarial liability projection decreased in total by \$6,798,778 from 2016 to 2017 for a total OPEB liability of \$2,381,648. Additionally, the number of insured retirees decreased from 37 in 2016 to 7 in 2017 which has reduced the OPEB liability.

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 \$1,230,163 less than the \$18,120,993 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$4,794,519.
- 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 \$163,277 in 2017.

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 71-72 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 28-61 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, 2017 and December 31, 2016

	2017	2016	Change
Assets:			
Cash and investments	\$ 8,992,592	\$ 9,066,092	\$ (73,500)
Receivables:			
Taxes and assessments	15,039,847	14,790,422	249,425
Other	51,246	34,741	16,505
Prepaid items	196,010	234,252	(38,242)
Due from component unit	96,871	84,167	12,704
Due from related party	9,675	9,013	662
Endowment securities	230,783	206,532	24,251
Split interest agreements	133,000	124,000	9,000
Capital assets not being depreciated:			
Land	1,130,229	1,130,229	-
Works of art	2,237,558	2,176,423	61,135
Work in progress	516,876	136,698	380,178
Capital assets net of accumulated depreciation:			
Buildings and improvements	16,495,904	16,878,458	(382,554)
Equipment	1,605,495	1,882,299	(276,804)
Books and collections	1,582,180	1,600,871	(18,691)
Total assets	<u>\$ 48,318,266</u>	<u>\$ 48,354,197</u>	<u>\$ (35,931)</u>
Deferred Outflows of Resources:			
Deferred charge on refunding	49,363	78,980	(29,617)
Deferred outflows - OPEB	25,419	-	25,419
Deferred outflow - pension	947,197	1,279,254	(332,057)
Total deferred outflows of resources	<u>\$ 1,021,979</u>	<u>\$ 1,358,234</u>	<u>\$ (336,255)</u>
Liabilities:			
Accounts payable	273,545	208,556	64,989
Accrued payroll	472,457	445,629	26,828
Advances - grants	19	744	(725)
Accrued interest payable	34,085	51,586	(17,501)
Due to component unit	-	4	(4)
Long-term liabilities:			
Due within one year	2,015,264	1,989,072	26,192
Due in more than one year	10,728,678	19,861,205	(9,132,527)
Total liabilities	<u>\$ 13,524,048</u>	<u>\$ 22,556,796</u>	<u>\$ (9,032,748)</u>
Deferred Inflows of Resources:			
Unavailable revenue - property taxes	15,039,847	14,790,422	249,425
Deferred inflows - split-interest agreements	133,000	-	133,000
Deferred inflows - pension	439,374	217,603	221,771
Total deferred inflows of resources	<u>\$ 15,612,221</u>	<u>\$ 15,008,025</u>	<u>\$ 604,196</u>
Net position:			
Net investment in capital assets	20,277,362	18,929,584	1,347,778
Restricted for:			
Expendable:			
Debt service	777,274	761,414	15,860
Other purposes	435,097	523,265	(88,168)
Nonexpendable	230,783	206,532	24,251
Unrestricted	(1,516,540)	(8,273,181)	6,756,641
Total net position	<u>\$ 20,203,976</u>	<u>\$ 12,147,614</u>	<u>\$ 8,056,362</u>

When the financial data is presented in full compliance with accrual accounting, the Library's combined net position increased by \$8,056,362 from \$12,147,614 as of December 31, 2016 to \$20,203,976 as of December 31, 2017.

Statement of Activities

The following table summarizes the revenue and expenses of the Library's activities for 2016 and 2017.

STATEMENT OF ACTIVITIES			
For the Years Ended December 31, 2017 and December 31, 2016			
	2017	2016	Change
Program Revenues:			
Charges for services	\$ 476,806	\$ 1,052,891	\$ (576,085)
Operating grants and contributions	451,125	310,399	140,726
Capital grants and contributions	51,795	491,259	(439,464)
General Revenues:			
Property taxes	17,009,336	16,761,602	247,734
Change in value of split interest agreements	-	(3,000)	3,000
Net investment income	122,931	64,514	58,417
Total revenues	18,111,993	18,677,665	(565,672)
Function/Program Expenses:			
Library services	16,838,096	16,471,247	366,849
Interest on long-term debt	52,734	101,691	(48,957)
Payments to component unit	-	397,560	(397,560)
Total expenses	16,890,830	16,970,498	(79,668)
Change in net position	1,221,163	1,707,167	(486,004)
Net position - beginning of the year	12,147,614	10,440,447	1,707,167
Prior period adjustment	6,835,199	-	6,835,199
Net position - beginning of the year as restated	18,982,813	10,440,447	8,542,366
Net position - end of year	\$ 20,203,976	\$ 12,147,614	\$ 8,056,362

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 seven years.

As reported in the Statement of Activities on page 18 the cost of all of our governmental activities in 2017 was \$16,890,830, a decrease of \$79,668 (.47%) from the 2016 total cost of \$16,970,498.

- The amount that our taxpayers paid for these activities through taxes was \$17,009,336, an increase of \$247,734 (1.46%) above 2016. 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 2016 and 2017 increased by \$221,265 due to increased valuations over the prior year which produced \$27,962 more per mill.
- Some of the cost (\$476,806) was paid by those who directly benefited from the services.

- Some of the cost (\$502,920) 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, 2017, 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, 2017

	2017		
	Budget	Actual	Variance
Revenue:			
Ad valorem taxes	\$ 12,278,880	\$ 12,025,680	\$ (253,200)
Delinquent taxes	-	176,918	176,918
Motor vehicle taxes	1,364,046	1,446,189	82,143
Payment in lieu of taxes	20,200	646	(19,554)
Revitalization rebates	(158,036)	(158,444)	(408)
Investment income	3,200	51,698	48,498
Receipts from component units	-	199	199
Overdue fines and fees	186,675	147,517	(39,158)
Miscellaneous	205,581	211,474	5,893
Total revenues	<u>\$ 13,900,546</u>	<u>\$ 13,901,877</u>	<u>\$ 1,331</u>
Expenditures:			
Salaries	\$ 8,390,456	\$ 8,165,410	\$ (225,046)
Library materials	1,736,930	1,729,704	(7,226)
Equipment and special projects	1,606,500	516,500	(1,090,000)
Other operating expenses	4,328,791	2,322,888	(2,005,903)
Total expenditures	<u>\$ 16,062,677</u>	<u>\$ 12,734,502</u>	<u>\$ (3,328,175)</u>

The General Fund actual revenues for 2017 were \$13,901,877; \$1,331 over the budgeted amount of \$13,900,546. 97% of all General Fund revenues came from taxes. Actual taxes collected represent 99.9% 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 2017 were \$12,734,502; \$3,328,175 (\$1,728,175 without budgeted cash carryforward) below the budget estimate of \$16,062,677. The percentage breakdown for General Fund expenditures was: salaries 64.1%; library materials 13.6%; equipment and special projects 4.1%; other operating expenses 18.2%.

The fund balance for the General Fund at the end of 2017 was \$4,794,519 as compared to an ending fund balance on December 31, 2016 of \$3,651,451.

Employee Benefit Fund

STATEMENT OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL

Year ended December 31, 2017

	2017		
	Budget	Actual	Variance
Revenues:			
Ad valorem taxes	\$ 1,540,725	\$ 1,510,967	\$ (29,758)
Delinquent taxes	-	42,349	42,349
Motor vehicle taxes	324,468	345,099	20,631
Payments in lieu of taxes	5,600	81	(5,519)
Revitalization rebates	(20,038)	(20,160)	(122)
Investment income	700	10,426	9,726
Miscellaneous	78,953	96,437	17,484
Total Revenues	<u>\$ 1,930,408</u>	<u>\$ 1,985,199</u>	<u>\$ 54,791</u>
Expenditures:			
FICA	\$ 641,867	\$ 581,671	\$ (60,196)
Health/dental insurance	1,784,120	1,782,288	(1,832)
KPERS	721,174	685,524	(35,650)
Employee assistance program	6,900	6,564	(336)
Cafeteria plan administration fees	4,080	3,407	(673)
Contingency/fund balance	350,000	-	(350,000)
Unemployment tax	8,390	6,041	(2,349)
Worker's compensation	78,700	65,065	(13,635)
Total Expenditures	<u>\$ 3,595,231</u>	<u>\$ 3,130,560</u>	<u>\$ (464,671)</u>

The Employee Benefit Fund actual revenue for 2017 was \$1,985,199; \$54,791 more than the budgeted amount of \$1,930,408. This is primarily due to an increased collections of motor vehicle and delinquent taxes. 94.6% of all Employee Benefit Fund revenues came from taxes.

The actual expenditures of the Employee Benefit Fund for 2017 were \$3,130,560; \$464,671 (\$114,671 without budgeted cash carryforward) below the original budget estimate of \$3,595,231. The actual cost of health care paid by the Library was less than budgeted due to flat premium. The percentage breakdown for Employee Benefit Fund expenditures was: FICA 18.6%; health/dental insurance 56.9%; KPERS (retirement system) 21.9%; unemployment tax .19%; worker's compensation 2.1%; employee assistance program .2%; cafeteria benefit plan administration .11%.

The fund balance for the Employee Benefit Fund at the end of 2017 was \$583,110 as compared to an ending fund balance on December 31, 2016 of \$1,747,491. This is primarily due to a one-time reduction in the total mill levy allocated to the Employee Benefit Fund and spend down of available cash from prior year claims experience refunds from the group medical insurance carrier.

Debt Service Fund

COMPARISON OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL

Year ended December 31, 2017

	2017		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Ad valorem taxes	\$1,474,129	\$1,444,334	\$ (29,795)
Delinquent taxes	-	23,867	23,867
Motor vehicle taxes	179,314	190,789	11,475
Payments in lieu of taxes	2,700	78	(2,622)
Revitalization rebates	(18,995)	(19,057)	(62)
Investment income	1,000	11,537	10,537
Total Revenues	<u>\$1,638,148</u>	<u>\$1,651,548</u>	<u>\$ 13,400</u>
Expenditures:			
Bond principal payment	\$1,500,000	\$1,500,000	\$ -
Interest and fiscal charges	154,780	154,750	30
Reserve	750,000	-	750,000
Total Expenditures	<u>\$2,404,780</u>	<u>\$1,654,750</u>	<u>\$ 750,030</u>

The Debt Service Fund actual revenue for 2017 was \$1,651,548; \$13,400 more than the budgeted amount of \$1,638,148. This is primarily due to increased collections for motor vehicle and delinquent taxes. Taxes comprise 99.3% of all Debt Service revenues.

The actual expenditures of the Debt Service Fund for 2017 were \$1,654,750; \$30 less than the original budget estimate of \$1,654,780 (excluding the amount budgeted for the reserve balance).

The fund balance for the Debt Service Fund at the end of 2017 was \$811,359 compared to an ending fund balance on December 31, 2016 of \$813,000.

GOVERNMENTAL FUNDS REVENUES

The total governmental fund revenues of the Library for 2017 were \$18,060,197; compared to total governmental fund revenues for 2016 of \$18,473,826. Of the total revenues, \$17,009,336 or 94.2% was generated from taxes and assessments; compared to \$16,761,602 or 90.7% generated from taxes and assessments in 2016.

GOVERNMENTAL FUNDS EXPENDITURES

	2017		2016	
	<u>Total</u>	<u>% of Total</u>	<u>Total</u>	<u>% of Total</u>
General Fund	\$ 13,095,302	72%	\$ 12,364,513	68%
Employee Benefit Fund	3,149,522	17%	3,213,326	18%
Bond & Interest Fund	1,654,750	9%	1,651,915	9%
Other Governmental Funds	309,335	2%	898,727	5%
	<u>\$ 18,208,909</u>		<u>\$ 18,128,481</u>	

In reviewing the chart above, you will see that the General Fund comprises 72% of all the expenditures within the governmental funds contrasted with 68% in 2016. Governmental fund expenditures totaled to \$18,208,909; an increase of \$80,428 from the 2016 total of \$18,128,481. There were a number of large, one-time projects in 2017 so expenditures were greater.

GOVERNMENTAL FUNDS FUND BALANCES

	Total Revenues	Total Expenditures	Other Financing Sources (Uses)	Fund Balance 1/1/2017	Fund Balance 12/31/2017
General Fund	\$ 14,238,370	\$ 13,095,302	\$ -	\$ 3,651,451	\$ 4,794,519
Employee Benefit	1,985,141	3,149,522	-	1,747,491	583,110
Debt Service	1,653,109	1,654,750	-	813,000	811,359
Other Governmental Funds	183,577	309,335	-	2,767,926	2,642,168
	<u>\$ 18,060,197</u>	<u>\$ 18,208,909</u>	<u>\$ -</u>	<u>\$ 8,979,868</u>	<u>\$ 8,831,156</u>

The governmental funds had a net decrease in fund balance of \$148,712. The ending fund balance for all governmental funds was \$8,831,156. 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	\$ 1,130,229	\$ -	\$ -	\$ 1,130,229
Works of art	2,176,423	61,135	-	2,237,558
Work in progress	136,698	516,876	(136,698)	516,876
Total capital assets not being depreciated	<u>3,443,350</u>	<u>578,011</u>	<u>(136,698)</u>	<u>3,884,663</u>
Capital assets being depreciated:				
Building and improvements	28,628,011	367,382	-	28,995,393
Equipment	6,225,423	84,340	(48,738)	6,261,025
Books and collections	9,635,582	1,075,857	(1,442,640)	9,268,799
Total capital assets being depreciated	<u>44,489,016</u>	<u>1,527,579</u>	<u>(1,491,378)</u>	<u>44,525,217</u>
Less accumulated depreciation for:				
Buildings and improvements	(11,749,553)	(749,936)	-	(12,499,489)
Equipment	(4,343,124)	(358,359)	45,953	(4,655,530)
Books and collections	(8,034,711)	(664,188)	1,012,280	(7,686,619)
Total accumulated depreciation	<u>(24,127,388)</u>	<u>(1,772,483)</u>	<u>1,058,233</u>	<u>(24,841,638)</u>
Total capital assets being depreciated, net	<u>20,361,628</u>	<u>(244,904)</u>	<u>(433,145)</u>	<u>19,683,579</u>
Capital assets, net	<u>\$ 23,804,978</u>	<u>\$ 333,107</u>	<u>\$ (569,843)</u>	<u>\$ 23,568,242</u>

At the end of 2017 the Library had \$48.4 million invested in land, works of art, buildings and improvements, equipment and books and collections. Of this amount \$24.8 million in depreciation has been taken over the years. Total acquisitions for the year were \$2,105,590 and depreciation was \$1.77 million.

During fiscal year 2017, the speaker system in the auditorium and several security cameras were replaced.

In July 2016, the facilities master plan was approved by the Board of Trustees and a significant front entry exterior remodel project was completed in 2017. Additionally, other projects in the facilities master plan incurred services for the Phase I interior remodel and architectural fees to design an outdoor courtyard. Demolition of the donated building located at 1001 SW Garfield Avenue is ongoing with paving of the parking lot to occur in 2018. These are the additions shown in “Work in Progress” within capital assets.

Long-Term Debt

At the end of fiscal year 2017, the Library had \$3,150,000 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:

- Increasing interest rates will have a favorable impact on future revenue.
- 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 by as much as 50% in future years.
- 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 the fall of 2017 and grade and pave it for much needed additional parking in 2018. 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:

Kim Torrey
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 – ktorrey@tscpl.org

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

STATEMENT OF NET POSITION

December 31, 2017

	<u>Primary Government</u> <u>Governmental Activities</u>	<u>Component Unit</u> <u>Library Foundation</u>
ASSETS		
Cash and investments	\$ 8,992,592	\$ 41,718
Receivables:		
Taxes and assessments	15,039,847	-
Pledges, net of discount of \$ 5,200	-	98,635
Other	51,246	-
Prepaid items	196,010	-
Other assets	-	7,445
Due from component unit	96,871	-
Due from related party	9,675	-
Endowment securities	230,783	-
Investments	-	1,627,831
Split-interest agreements	133,000	-
Restricted assets:		
Investments:		
Temporarily restricted	-	5,769,333
Permanently restricted	-	1,655,351
Capital assets not being depreciated:		
Land	1,130,229	-
Works of art	2,237,558	-
Work in progress	516,876	-
Capital assets net of accumulated depreciation:		
Buildings and improvements	16,495,904	-
Equipment	1,605,495	-
Books and collections	1,582,180	-
Total assets	<u>48,318,266</u>	<u>9,200,313</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	49,363	-
Deferred outflows - OPEB	25,419	-
Deferred outflows - pension	947,197	-
Total deferred outflows of resources	<u>\$ 1,021,979</u>	<u>\$ -</u>

(Continued)

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

STATEMENT OF NET POSITION
(Continued)

December 31, 2017

	<u>Primary Government</u> <u>Governmental Activities</u>	<u>Component Unit</u> <u>Library Foundation</u>
LIABILITIES		
Accounts payable	\$ 273,545	\$ 725
Accrued payroll	472,457	-
Advances - grants	19	-
Accrued interest payable	34,085	-
Due to primary government:		
Unrestricted	-	5,048
Temporarily restricted	-	91,823
Long-term liabilities:		
Due within one year	2,015,264	-
Due in more than one year	10,728,678	-
	<u>13,524,048</u>	<u>97,596</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	15,039,847	-
Deferred inflows - split-interest agreements	133,000	-
Deferred inflows - pension	439,374	-
	<u>15,612,221</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	20,277,362	-
Restricted for:		
Expendable:		
Debt service	777,274	-
Other purposes	435,097	5,867,408
Nonexpendable	230,783	1,655,351
Unrestricted	(1,516,540)	1,579,958
	<u>\$ 20,203,976</u>	<u>\$ 9,102,717</u>

See accompanying notes to basic financial statements.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

STATEMENT OF ACTIVITIES

Year Ended December 31, 2017

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 Governmental Activities	Component Unit Library Foundation
Primary government:						
Governmental activities:						
Library services	\$ 16,838,096	\$ 476,806	\$ 451,125	\$ 51,795	\$ (15,858,370)	\$ -
Interest on long-term debt	52,734	-	-	-	(52,734)	-
Total primary government	<u>\$ 16,890,830</u>	<u>\$ 476,806</u>	<u>\$ 451,125</u>	<u>\$ 51,795</u>	<u>(15,911,104)</u>	<u>-</u>
Component unit:						
Library Foundation	<u>\$ 558,059</u>	<u>\$ -</u>	<u>\$ 1,313,661</u>	<u>\$ 33,500</u>	<u>-</u>	<u>789,102</u>
General revenues:						
Property taxes					17,009,336	-
Net investment income					122,931	322,260
Unrealized gain on investments					-	801,041
Café fees					-	21,000
Total general revenues					<u>17,132,267</u>	<u>1,144,301</u>
Change in net position					<u>1,221,163</u>	<u>1,933,403</u>
Net position, beginning of year as previously stated					<u>12,147,614</u>	<u>7,169,314</u>
Prior period adjustments					<u>6,835,199</u>	<u>-</u>
Net position, beginning of year as restated					<u>18,982,813</u>	<u>7,169,314</u>
Net position - end of year					<u>\$ 20,203,976</u>	<u>\$ 9,102,717</u>

See accompanying notes to basic financial statements.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

BALANCE SHEET -
GOVERNMENTAL FUNDS

December 31, 2017

	<u>General</u>
ASSETS	
Cash and investments	\$ 4,962,294
Receivables:	
Taxes and assessments	10,157,312
Other	49,058
Prepaid items	196,010
Due from component unit	3,561
Due from related party	5,965
Endowment securities	-
	<u> </u>
Total assets	<u><u>\$ 15,374,200</u></u>
LIABILITIES	
Accounts payable	\$ 124,954
Accrued payroll	297,415
Advances - grants	-
	<u> </u>
Total liabilities	<u>422,369</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	<u>10,157,312</u>
	<u> </u>
Total deferred inflows of resources	<u>10,157,312</u>
FUND BALANCES	
Nonspendable:	
Prepaid items	196,010
Legally or contractually required to be maintained intact	-
Restricted:	
Specific library programs	-
Debt service	-
Assigned	463,863
Unassigned	<u>4,134,646</u>
	<u> </u>
Total fund balances	<u>4,794,519</u>
	<u> </u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 15,374,200</u></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>
\$ 899,358	\$ 811,359	\$ 2,319,581	\$ 8,992,592
3,464,169	1,418,366	-	15,039,847
2,188	-	-	51,246
-	-	-	196,010
1,487	-	91,823	96,871
3,710	-	-	9,675
-	-	230,783	230,783
<u>\$ 4,370,912</u>	<u>\$ 2,229,725</u>	<u>\$ 2,642,187</u>	<u>\$ 24,617,024</u>
\$ 148,591	\$ -	\$ -	\$ 273,545
175,042	-	-	472,457
-	-	19	19
<u>323,633</u>	<u>-</u>	<u>19</u>	<u>746,021</u>
<u>3,464,169</u>	<u>1,418,366</u>	<u>-</u>	<u>15,039,847</u>
<u>3,464,169</u>	<u>1,418,366</u>	<u>-</u>	<u>15,039,847</u>
-	-	-	196,010
-	-	230,783	230,783
-	-	435,097	435,097
-	811,359	-	811,359
583,110	-	1,976,288	3,023,261
-	-	-	4,134,646
<u>583,110</u>	<u>811,359</u>	<u>2,642,168</u>	<u>8,831,156</u>
<u>\$ 4,370,912</u>	<u>\$ 2,229,725</u>	<u>\$ 2,642,187</u>	<u>\$ 24,617,024</u>

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

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

December 31, 2017

Total fund balance in governmental fund balance sheet		\$ 8,831,156
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.		23,568,242
The estimated fair values of split-interest agreements are not financial resources and, therefore, are not reported in the funds.		133,000
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	\$ 49,363	
Deferred OPEB outflow	25,419	
Deferred pension outflow	947,197	
	<u>1,021,979</u>	1,021,979
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	(3,150,000)	
Premium on bonds payable	(190,242)	
Accrued interest payable	(34,085)	
Compensated absences	(562,447)	
Net OPEB liability	(2,381,648)	
Net pension liability	(6,459,605)	
	<u>(12,778,027)</u>	(12,778,027)
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.		<u>(572,374)</u>
Net position of governmental activities		<u>\$ 20,203,976</u>

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, 2017

	<u>General</u>
REVENUES	
Taxes and assessments	\$ 13,490,989
Intergovernmental revenues	52,708
Contributions	-
Investment income	58,831
Overdue fines and fees	148,543
Miscellaneous	230,081
Receipts from component unit	<u>257,218</u>
Total revenues	<u>14,238,370</u>
EXPENDITURES	
Library services	11,377,289
Capital outlay	1,718,013
Debt service:	
Bond principal payment	-
Interest and fiscal charges	<u>-</u>
Total expenditures	<u>13,095,302</u>
Net change in fund balances	1,143,068
Fund balances, beginning of year	<u>3,651,451</u>
Fund balances, end of year	<u><u>\$ 4,794,519</u></u>

See accompanying notes to basic financial statements.

Employee Benefit	Debt Service - Bond and Interest	Other Governmental Funds	Total Governmental Funds
\$ 1,878,336	\$ 1,640,011	\$ -	\$ 17,009,336
-	-	2,525	55,233
-	-	85,000	85,000
10,426	13,098	40,576	122,931
-	-	-	148,543
96,379	-	1,802	328,262
-	-	53,674	310,892
<u>1,985,141</u>	<u>1,653,109</u>	<u>183,577</u>	<u>18,060,197</u>
3,149,522	-	110,251	14,637,062
-	-	199,084	1,917,097
-	1,500,000	-	1,500,000
-	154,750	-	154,750
<u>3,149,522</u>	<u>1,654,750</u>	<u>309,335</u>	<u>18,208,909</u>
(1,164,381)	(1,641)	(125,758)	(148,712)
<u>1,747,491</u>	<u>813,000</u>	<u>2,767,926</u>	<u>8,979,868</u>
<u>\$ 583,110</u>	<u>\$ 811,359</u>	<u>\$ 2,642,168</u>	<u>\$ 8,831,156</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, 2017

Net change in fund balances - total governmental funds		\$ (148,712)
Amounts reported for governmental activities in the statement of activities are different because:		
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 (\$ 1,917,097) were less than depreciation (\$ 1,772,483) in the current period.		144,614
The net effect of various miscellaneous transactions involving capital assets is to decrease net position.		
Loss on disposal of capital assets	\$ (433,145)	
Donated capital assets	<u>51,795</u>	(381,350)
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.		
Principal repayment on general obligation bonds	1,500,000	
Amortization of deferred charge on refunding	(29,617)	
Amortization of bond premiums	<u>114,132</u>	1,584,515
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:		
Accrued interest	17,501	
OPEB payments	(135,002)	
Compensated absences	49,024	
Pension contributions	<u>90,573</u>	<u>22,096</u>
Change in net position of governmental activities		<u>\$ 1,221,163</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, 2017

	Original and Final Budget	Actual	Variance with Final Budget Over (Under)
REVENUES			
Ad valorem taxes	\$ 12,278,880	\$ 12,025,680	\$ (253,200)
Delinquent taxes	-	176,918	176,918
Motor vehicle tax	1,364,046	1,446,189	82,143
Payments in lieu of taxes	20,200	646	(19,554)
Revitalization rebates	(158,036)	(158,444)	(408)
	13,505,090	13,490,989	(14,101)
Investment income	3,200	51,698	48,498
Receipts from component units	-	199	199
Overdue fines and fees	186,675	147,517	(39,158)
Miscellaneous	205,581	211,474	5,893
Total revenues	13,900,546	13,901,877	1,331
EXPENDITURES			
Library services:			
Cataloging and ILL services	73,000	84,427	11,427
Contracted - digital services	350,510	303,182	(47,328)
Contracted - E-rate services	5,530	4,168	(1,362)
Contracted - facilities	216,000	244,453	28,453
Contracted - office equipment	58,000	54,802	(3,198)
Contracted - professional	389,000	221,331	(167,669)
Digital services support	257,500	147,752	(109,748)
Furniture/equipment	61,500	26,500	(35,000)
Gallery art purchases	5,000	-	(5,000)
Insurance	45,000	47,868	2,868
Marketing	30,000	29,650	(350)
Materials	1,736,930	1,729,704	(7,226)
Memberships/dues	22,500	19,331	(3,169)
Mileage	11,440	8,653	(2,787)
Miscellaneous	5,000	3,738	(1,262)
Payments to other libraries	95,111	96,271	1,160
Postage/shipping	126,250	79,165	(47,085)
Printing	99,800	97,148	(2,652)
Programming	30,000	29,996	(4)
Expenditures - forward	\$ 3,618,071	\$ 3,228,139	\$ (389,932)

(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, 2017

	Original and Final Budget	Actual	Variance with Final Budget Over (Under)
Expenditures - forward	\$ 3,618,071	\$ 3,228,139	\$ (389,932)
Salaries and wages	8,390,456	8,165,410	(225,046)
Special projects	1,540,000	490,000	(1,050,000)
Staff conferences	95,700	79,572	(16,128)
Staff training	34,000	14,515	(19,485)
Supplies	191,500	164,550	(26,950)
Telecommunications	87,300	75,470	(11,830)
Utilities	440,000	456,351	16,351
Vehicle fuel and maintenance	65,650	60,495	(5,155)
Contingency	1,600,000	-	(1,600,000)
	<u>\$ 16,062,677</u>	<u>12,734,502</u>	<u>\$ (3,328,175)</u>
Total expenditures			
Net change in fund balances		1,167,375	
Fund balances, beginning of year		3,425,691	
Less encumbrances - beginning of year		(333,363)	
Add cancellations of prior year encumbrances		16,593	
Add encumbrances - end of year		346,882	
GAAP adjustments		(29,393)	
Fund balances for non-budgeted funds included with the General Fund on GAAP basis financial statements:			
Undesignated Gifts/Memorials		197,001	
Workshops		2,164	
Fun Committee		1,569	
Fund balances, end of year		<u>\$ 4,794,519</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, 2017

	Original and Final Budget	Actual	Variance with Final Budget Over (Under)
REVENUES			
Ad valorem taxes	\$ 1,540,725	\$ 1,510,967	\$ (29,758)
Delinquent taxes	-	42,349	42,349
Motor vehicle tax	324,468	345,099	20,631
Payments in lieu of taxes	5,600	81	(5,519)
Revitalization rebates	(20,038)	(20,160)	(122)
	<u>1,850,755</u>	<u>1,878,336</u>	<u>27,581</u>
Investment income	700	10,426	9,726
Miscellaneous	78,953	96,437	17,484
	<u>79,653</u>	<u>106,863</u>	<u>27,210</u>
Total revenues	<u>\$ 1,930,408</u>	<u>1,985,199</u>	<u>\$ 54,791</u>
EXPENDITURES			
Library services	<u>\$ 3,595,231</u>	<u>3,130,560</u>	<u>\$ (464,671)</u>
Net change in fund balances		(1,145,361)	
Fund balances, beginning of year		1,747,491	
Less encumbrances - beginning of year		(1,348)	
Add cancellations of prior year encumbrances		332	
Add encumbrances - end of year		34	
GAAP adjustments		<u>(18,038)</u>	
Fund balances, end of year		<u>\$ 583,110</u>	

See accompanying notes to basic financial statements.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

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.

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.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1 - Summary of Significant Accounting Policies (Continued)

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, 2017.

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.

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

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1 - Summary of Significant Accounting Policies (Continued)

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 three 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 two items are deferred outflows for OPEB and pension reported in the government-wide statement of net position. See Notes 9 and 10 for more information on the deferred outflows for OPEB and 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, 2017, 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 2017.

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, 2017, 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. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB Statements, including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The requirements of this statement are effective for periods beginning after June 15, 2017.

GASB Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for periods beginning after December 15, 2019.

Prior Period Adjustments

Beginning net position for the primary government on the statement of activities was restated to account for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions* and GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The effect of this restatement on the primary government's beginning net position was an increase of \$ 6,835,199, which resulted from the OPEB liability being decreased by \$ 6,959,199 and the deferred inflows for split-interest agreements being increased by \$ 124,000. There was no effect on current or prior-year revenues or expenditures as a result of these adjustments.

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 were not rated by a rating agency as of December 31, 2017. 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 \$ 230,783 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, 2017, the Library's endowment securities including cash and cash equivalents, mutual funds, and hedge funds of \$ 129,086 were valued with quoted prices on the active market (Level 1 input), endowment securities including mutual funds of \$ 101,697 were valued using pricing of similar assets in markets that were not active (Level 2 input), and the MIP balance of \$ 4,807,364 was valued using net asset value. Investments that are measured at net asset value are not classified in the fair value hierarchy.

As of December 31, 2017, the Foundation's money market mutual funds, mutual funds, bonds and equities of \$ 8,715,637 were valued with quoted prices on the active market (Level 1 input). Certain other investments of \$ 336,878 that are measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy.

At December 31, 2017, the Library had the following investment in the MIP:

Investment Type	Maturities	Fair Value
State of Kansas Municipal Investment Pool	< 1 year	\$ 4,807,364

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 \$ 2,872	\$ 8,992,592
Endowment securities:	
Cash and cash equivalents	7,708
Fixed income mutual funds	75,603
Equity mutual funds	120,454
Hedge funds	22,500
Commodities mutual fund	4,518
	230,783
	\$ 9,223,375

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, 2017 were as follows:

	Carrying Amount - Fair Value	Cost
Money market funds	\$ 136,465	\$ 136,465
Certificates of deposit	270,614	270,614
Mutual funds	6,904,436	5,671,819
Corporate bonds	1,149,510	1,149,066
Equities	254,612	220,778
Investments held in trust at Topeka Community Foundation	336,878	174,293
Total investments	\$ 9,052,515	\$ 7,623,035

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

Investments:	
Unrestricted	\$ 1,627,831
Temporarily restricted	5,769,333
Permanently restricted	1,655,351
	\$ 9,052,515

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 2017 levy was based was \$ 1,566,367,910. During the year ended December 31, 2017, 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 2017 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 2017 is as follows:

	General	Employee Benefit	Debt Service - Bond and Interest	Total
Ad valorem taxes	\$ 12,025,680	\$ 1,510,967	\$ 1,444,334	\$ 14,980,981
Delinquent taxes	176,918	42,349	23,867	243,134
Motor vehicle tax	1,446,189	345,099	190,789	1,982,077
Payments in lieu of taxes	646	81	78	805
Revitalization rebates	(158,444)	(20,160)	(19,057)	(197,661)
	\$ 13,490,989	\$ 1,878,336	\$ 1,640,011	\$ 17,009,336

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 2017 property tax revenues were as follows:

<u>Fund</u>	<u>Levy</u>
General	\$ 7.839
Employee Benefit	0.984
Debt Service - Bond and Interest	0.941
	<u>\$ 9.764</u>

4 - Split-Interest Agreements

The Library is the beneficiary of two charitable trusts. The terms of the first charitable 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 \$ 74,000 at December 31, 2017. The terms of the second charitable 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 \$ 59,000 at December 31, 2017. 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 20 years.

5 - Transactions with Related Parties

Library Foundation

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 2017 to the Library was \$ 76,119.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

5 - Transactions with Related Parties (Continued)

Library Foundation (Continued)

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, 2017:

General	\$ 199
Library materials	5,888
Undesignated gifts	257,019
Youth services	31,737
NEH expendable trust	13,402
Children's art show	2,647
	<hr/>
	\$ 310,892
	<hr/> <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 2017 to the Library for salaries and benefits was \$ 120,797.

Amounts due from the component unit consist of the following at December 31, 2017:

Distributions held on behalf of Library	\$ 91,823
Due for reimbursement of payroll	5,048
	<hr/>
	\$ 96,871
	<hr/> <hr/>

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.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5 - Transactions with Related Parties (Continued)

Friends of the Library (Continued)

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 2017 to the Library for salaries and benefits was \$ 63,606. The amount due from the Friends for salaries and benefits at December 31, 2017 was \$ 8,469.

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 \$ 15,665. The amount due from the Friends for various operating expenses at December 31, 2017 was \$ 1,206.

The Library makes an annual request of the Friends for a contribution to be used for various Library projects. In 2017, the Friends contributed \$ 85,000 to the Library to fund the Library's requests.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,130,229	\$ -	\$ -	\$ 1,130,229
Works of art	2,176,423	61,135	-	2,237,558
Work in progress	136,698	516,876	(136,698)	516,876
Total capital assets not being depreciated	3,443,350	578,011	(136,698)	3,884,663
Capital assets being depreciated:				
Buildings and improvements	28,628,011	367,382	-	28,995,393
Equipment	6,225,423	84,340	(48,738)	6,261,025
Books and collections	9,635,582	1,075,857	(1,442,640)	9,268,799
Total capital assets being depreciated	44,489,016	1,527,579	(1,491,378)	44,525,217
Less accumulated depreciation for:				
Buildings and improvements	(11,749,553)	(749,936)	-	(12,499,489)
Equipment	(4,343,124)	(358,359)	45,953	(4,655,530)
Books and collections	(8,034,711)	(664,188)	1,012,280	(7,686,619)
Total accumulated depreciation	(24,127,388)	(1,772,483)	1,058,233	(24,841,638)
Total capital assets being depreciated, net	20,361,628	(244,904)	(433,145)	19,683,579
Capital assets, net	\$ 23,804,978	\$ 333,107	\$ (569,843)	\$ 23,568,242

Depreciation expense of \$ 1,772,483 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, 2017:

	Beginning Balance, as Restated	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
G.O. Refunding Bonds, Series 2012	\$ 4,650,000	\$ -	\$ 1,500,000	\$ 3,150,000	\$ 1,550,000
Plus deferred amounts:					
Issuance premiums	304,374	-	114,132	190,242	-
Compensated absences	611,471	474,361	523,385	562,447	465,264
Net OPEB liability	2,221,227	222,226	61,805	2,381,648	-
Net pension liability	7,104,006	-	644,401	6,459,605	-
Total long-term debt	<u>\$ 14,891,078</u>	<u>\$ 696,587</u>	<u>\$ 2,843,723</u>	<u>\$ 12,743,942</u>	<u>\$ 2,015,264</u>

The General Obligation Refunding Bonds, Series 2012 are due in annual payments graduating from \$ 1,550,000 on September 1, 2018 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 liability 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, 2017 are as follows:

For the Year Ending December 31,	Principal	Interest	Total
2018	\$ 1,550,000	\$ 102,250	\$ 1,652,250
2019	1,600,000	48,000	1,648,000
	<u>\$ 3,150,000</u>	<u>\$ 150,250</u>	<u>\$ 3,300,250</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>	
2018	\$ 35,858
2019	13,551
2020	10,394
2021	<u>7,796</u>
	<u><u>\$ 67,599</u></u>

Operating lease expense was approximately \$ 44,000 for the year ending December 31, 2017.

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 1.2% of total payroll for the KPERS fiscal year ended June 30, 2017.

The actuarially determined employer contribution rate (not including the 1% contribution rate for the Death and Disability Program) and the statutory contribution rate were 8.46% for the fiscal year ended December 31, 2017. Contributions to the Pension Plan from the Library were \$ 667,751 for the year ended December 31, 2017.

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, 2017, the Library reported a liability of \$ 6,459,605 for its proportionate share of the KPERS collective net pension liability. The collective net pension liability was measured by KPERS as of June 30, 2017, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017. 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, 2017. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2017, the Library's proportion was .445965%, which was a decrease of .013238% from its proportion measured as of June 30, 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 (Continued)

For the year ended December 31, 2017, the Library recognized pension expense of \$ 587,591. At December 31, 2017, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 31,242	\$ 223,360
Net difference between projected and actual earnings on pension plan investments	202,627	-
Changes of assumptions	347,876	47,235
Changes in proportionate share	28,834	168,779
Library contributions subsequent to measurement date	<u>336,618</u>	<u>-</u>
Total	<u>\$ 947,197</u>	<u>\$ 439,374</u>

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 \$ 336,618 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	
2018	\$ (42,800)
2019	208,523
2020	110,066
2021	(109,992)
2022	5,408
	<u>\$ 171,205</u>

Actuarial assumptions. The total pension liability for KPERS in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.75 percent
Wage inflation	3.00 percent
Salary increases, including price inflation	3.50 to 12 percent, including inflation
Long-term rate of return, net of investment expense, including price inflation	7.75 percent

Mortality rates were based on the RP-2014 Mortality Tables with future mortality improvements based on Scale MP-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 (Continued)

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study, which covered the three-year period ending December 31, 2015.

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 the most recent experience study, dated November 18, 2016, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	6.85%
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)%
	<hr/>	
Total	100%	
	<hr/> <hr/>	

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 7.75%. 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 7.75%, 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 (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Library's proportionate share of the collective net pension liability	\$ 9,303,243	\$ 6,459,605	\$ 4,062,530

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, Benefits Provided and Contributions. The Library provides postemployment medical and dental insurance benefits to retirees and their dependents in accordance with Kansas law (K.S.A. 12-5040) and the Library’s Board of Trustees establishes participating retirees’ contribution amounts. The benefits are provided through a fully-insured arrangement that operates as a single-employer defined benefit OPEB plan. 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. 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. In 2017, retired plan members receiving benefits contributed \$ 30,893 to the plan and the Library contributed \$ 61,805.

Employees Covered by Benefit Terms. At December 31, 2017, the following employees were covered by the benefit terms.

Inactive employees or beneficiaries currently receiving benefit payments	8
Active plan members	190
	<hr/>
	198
	<hr/> <hr/>

Total OPEB Liability

The Library’s total OPEB liability of \$ 2,381,648 was measured as of December 31, 2017, and was determined by an actuarial valuation performed as of January 1, 2017.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Other Postemployment Healthcare Benefits (Continued)

Total OPEB Liability (Continued)

Actuarial Assumptions and Other Inputs. The total OPEB liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.24 percent
Salary increases	2.40 percent per year
Healthcare cost trend rates	7.50 percent for 2018, decreasing 0.5 percent per year through year 4, then .25 percent to an ultimate rate of 5.00 percent for 2025
Retirees' share of benefit-related costs	A reduction applies for up to 36 months (not to exceed retiree age 65) from the later of January 1, 2017 or commencement of retiree coverage. After the 36 months retirees may continue coverage by paying the group plan premium.
Actuarial cost method	Entry Age - Level Percent-of-Pay

The discount rate was based on the average of the S&P Municipal Bond 20 Year High Grade and Fidelity GO AA-20 Year published yields.

Mortality rates were based on the Society of Actuaries RPH-2014 Adjusted to 2006 White Collar Headcount-weighted Morality with MP-2017 Full Generational Improvement.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Other Postemployment Healthcare Benefits (Continued)

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at December 31, 2016	\$ 2,221,227
Changes for the year:	
Service cost	107,961
Interest	86,416
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	27,849
Employer contribution (benefit payments)	<u>(61,805)</u>
Net changes	<u>160,421</u>
Balance at December 31, 2017	<u>\$ 2,381,648</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.76 percent in 2016 to 3.24 percent in 2017.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the Library, as well as what the Library's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.4 percent) or 1-percentage-point higher (4.4 percent) than the current discount rate:

	<u>1% Decrease (2.24%)</u>	<u>Discount Rate (3.24%)</u>	<u>1% Increase (4.24%)</u>
Total OPEB liability	\$ 2,616,447	\$ 2,381,648	\$ 2,167,970

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Other Postemployment Healthcare Benefits (Continued)

Changes in the Total OPEB Liability (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following represents the total OPEB liability of the Library as well as what the Library's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (6.5%)	Healthcare Cost Trend Rates (7.5%)	1% Increase (8.5%)
	<hr/>	<hr/>	<hr/>
Total OPEB liability	\$ 2,126,053	\$ 2,381,648	\$ 2,685,891

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended December 31, 2017, the Library recognized OPEB expense of \$ 135,002. At December 31, 2017, the Library reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
	<hr/>
Changes in assumptions or other inputs	<u><u>\$ 25,419</u></u>

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

10 - Other Postemployment Healthcare Benefits (Continued)

OPEB Expense and Deferred Outflows of Resources Related to OPEB (Continued)

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended December 31,</u>	
2018	\$ 2,430
2019	2,430
2020	2,430
2021	2,430
2022	2,430
2023 and Therafter	<u>13,269</u>
	<u><u>\$ 25,419</u></u>

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, 2017, the Library's recorded encumbrances in governmental funds were as follows:

General	\$	463,863
Employee benefit		34
Other nonmajor governmental funds		4,260
		<hr/>
	\$	468,157
		<hr/> <hr/>

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, 2017, abated property taxes that impacted the Library totaled \$ 493,496, 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 Changes in the Library's Total OPEB Liability and Related Ratios

Last Fiscal Year*

	2017
Total OPEB liability:	
Service cost	\$ 107,961
Interest	86,416
Changes of assumptions	27,849
Benefit payments	(61,805)
Net change in total OPEB liability	160,421
Total OPEB liability, beginning	2,221,227
Total OPEB liability, ending	\$ 2,381,648
 Covered-employee payroll	 \$ 8,012,257
 Library's total OPEB liability as a percentage of covered-employee payroll	 29.73%

Notes to Schedule:

Benefit changes . Starting in 2017, the premium reduction was 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 post-65 coverage was eliminated.

Changes of assumptions . The assumed plan elections for future retiring employees was changed from 100% Major Medical to 50% - Major Medical and 50% - High Deductible plan. Retirement and Turnover assumptions were updated to reflect the latest statistics from KPERS. In particular, retirement probabilities were lowered at various ages. The assumed mortality was updated to reflect the Society of Actuaries RPH-2014 Adjusted to 2006 White Collar Headcount-weighted Mortality table with MP-2017 Full Generational Improvement. The per capita costs, retiree contribution premiums and trend assumptions were updated as part of the ongoing actuarial analysis.

The actuarial cost method was changed from Projected Unit Credit to Entry Age Normal – Level %-of-Pay as mandated by GASB 75. The discount rate was changed from 3.5% (GASB 45) to 3.24% (GASB 75) for the end of year measurement. The beginning of year measurement utilizes a discount rate of 3.76%.

*GASB 75 requires the presentation of 10 years. Data was not available prior to fiscal year 2017. Therefore, 10 years of data is unavailable.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

Schedule of the Library's Proportionate Share of the Collective Net Pension Liability
 Kansas Public Employees Retirement System
 Last Four KPERS Fiscal Years¹

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
The Library's proportion of the collective net pension liability	0.445965%	0.459203%	0.461173%	0.457752%
The Library's proportionate share of the collective net pension liability	\$ 6,459,605	\$ 7,104,006	\$ 6,055,405	\$ 5,634,071
The Library's covered-employee payroll	\$ 7,705,485	\$ 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	84%	92%	81%	76%
Plan fiduciary net position as a percentage of the total pension liability	67.12%	65.10%	64.95%	66.60%

¹ GASB 68 requires presentation of ten years. Data was not available prior to fiscal year 2014, therefore, ten years of data is unavailable.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

Schedule of the Library's Contributions
 Kansas Public Employees Retirement System
 Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 667,751	\$ 719,190	\$ 740,553	\$ 669,615	\$ 593,151	\$ 536,363	\$ 506,521	\$ 467,450	\$ 427,265	\$ 340,975
Contributions in relation to the contractually required contribution	(667,751)	(719,190)	(740,553)	(669,615)	(593,151)	(536,363)	(506,521)	(467,450)	(427,265)	(340,975)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The Library's covered-employee payroll	\$ 7,685,252	\$ 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
Contributions as a percentage of covered-employee payroll	9.00%	9.00%	10.00%	9.00%	8.00%	7.00%	7.00%	6.00%	5.00%	5.00%

SUPPLEMENTARY INFORMATION

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

COMBINING BALANCE SHEET -
GENERAL FUND

December 31, 2017

	<u>General</u>
ASSETS	
Cash and investments	\$ 4,700,240
Receivables:	
Taxes and assessments	10,157,312
Other	49,058
Prepaid items	196,010
Due from component unit	3,561
Due from related party	5,965
	<u>15,112,146</u>
Total assets	<u>\$ 15,112,146</u>
LIABILITIES	
Accounts payable	\$ 63,634
Accrued payroll	297,415
	<u>361,049</u>
Total liabilities	<u>361,049</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	<u>10,157,312</u>
	<u>10,157,312</u>
Total deferred inflows of resources	<u>10,157,312</u>
FUND BALANCES	
Nonspendable:	
Prepaid items	196,010
Assigned	346,882
Unassigned	4,050,893
	<u>4,593,785</u>
Total fund balances	<u>4,593,785</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 15,112,146</u>

<u>State Aid</u>	<u>Undesignated Gifts/ Memorials</u>	<u>Workshops</u>	<u>Fun Committee</u>	<u>Total General Fund</u>
\$ -	\$ 258,321	\$ 2,164	\$ 1,569	\$ 4,962,294
-	-	-	-	10,157,312
-	-	-	-	49,058
-	-	-	-	196,010
-	-	-	-	3,561
-	-	-	-	5,965
<u>\$ -</u>	<u>\$ 258,321</u>	<u>\$ 2,164</u>	<u>\$ 1,569</u>	<u>\$ 15,374,200</u>
\$ -	\$ 61,320	\$ -	\$ -	\$ 124,954
-	-	-	-	297,415
-	61,320	-	-	422,369
-	-	-	-	10,157,312
-	-	-	-	10,157,312
-	-	-	-	196,010
-	116,981	-	-	463,863
-	80,020	2,164	1,569	4,134,646
-	197,001	2,164	1,569	4,794,519
<u>\$ -</u>	<u>\$ 258,321</u>	<u>\$ 2,164</u>	<u>\$ 1,569</u>	<u>\$ 15,374,200</u>

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

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

Year Ended December 31, 2017

	<u>General</u>
REVENUES	
Taxes and assessments	\$ 13,490,989
Intergovernmental revenues	-
Investment income	51,698
Overdue fines and fees	148,543
Miscellaneous	228,147
Receipts from component unit	199
	<hr/>
Total revenues	13,919,576
	<hr/>
EXPENDITURES	
Library services	11,165,468
Capital outlay	1,586,014
	<hr/>
Total expenditures	12,751,482
	<hr/>
Net change in fund balances	1,168,094
Fund balances, beginning of year	3,425,691
	<hr/>
Fund balances, end of year	<u>\$ 4,593,785</u>

<u>State Aid</u>	<u>Undesignated Gifts/ Memorials</u>	<u>Workshops</u>	<u>Fun Committee</u>	<u>Total General Fund</u>
\$ -	\$ -	\$ -	\$ -	\$ 13,490,989
52,708	-	-	-	52,708
-	7,132	1	-	58,831
-	-	-	-	148,543
-	-	-	1,934	230,081
-	257,019	-	-	257,218
<u>52,708</u>	<u>264,151</u>	<u>1</u>	<u>1,934</u>	<u>14,238,370</u>
32,513	176,723	-	2,585	11,377,289
20,195	111,804	-	-	1,718,013
<u>52,708</u>	<u>288,527</u>	<u>-</u>	<u>2,585</u>	<u>13,095,302</u>
-	(24,376)	1	(651)	1,143,068
-	221,377	2,163	2,220	3,651,451
<u>\$ -</u>	<u>\$ 197,001</u>	<u>\$ 2,164</u>	<u>\$ 1,569</u>	<u>\$ 4,794,519</u>

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS

December 31, 2017

	Special Revenue Funds			Total Nonmajor Governmental Funds	
	Capital Improvement	Grants	Other Special Revenue		Permanent Funds
ASSETS					
Cash and investments	\$ 1,959,191	\$ 19	\$ 360,371	\$ -	\$ 2,319,581
Due from component unit	-	-	91,823	-	91,823
Endowment securities	-	-	-	230,783	230,783
Total assets	<u>\$ 1,959,191</u>	<u>\$ 19</u>	<u>\$ 452,194</u>	<u>\$ 230,783</u>	<u>\$ 2,642,187</u>
LIABILITIES					
Advances - grants	\$ -	\$ 19	\$ -	\$ -	\$ 19
FUND BALANCES					
Nonspendable:					
Legally or contractually required to be maintained intact	-	-	-	230,783	230,783
Restricted:					
Specific library programs	-	-	435,097	-	435,097
Assigned	1,959,191	-	17,097	-	1,976,288
Total fund balances	<u>1,959,191</u>	<u>-</u>	<u>452,194</u>	<u>230,783</u>	<u>2,642,168</u>
Total liabilities and fund balances	<u>\$ 1,959,191</u>	<u>\$ 19</u>	<u>\$ 452,194</u>	<u>\$ 230,783</u>	<u>\$ 2,642,187</u>

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

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

Year Ended December 31, 2017

	Capital Improvement	Special Revenue Funds			Total Nonmajor Governmental Funds
		Grants	Other Special Revenue	Permanent Funds	
REVENUES					
Intergovernmental revenues	\$ -	\$ 2,525	\$ -	\$ -	\$ 2,525
Contributions	-	-	85,000	-	85,000
Investment income	13,614	-	2,711	24,251	40,576
Miscellaneous	-	-	1,802	-	1,802
Receipts from component unit	-	-	53,674	-	53,674
Total revenues	13,614	2,525	143,187	24,251	183,577
EXPENDITURES					
Library services	67,755	2,525	39,971	-	110,251
Capital outlay	9,687	-	189,397	-	199,084
Total expenditures	77,442	2,525	229,368	-	309,335
Net change in fund balances	(63,828)	-	(86,181)	24,251	(125,758)
Fund balances, beginning of year	2,023,019	-	538,375	206,532	2,767,926
Fund balances, end of year	\$ 1,959,191	\$ -	\$ 452,194	\$ 230,783	\$ 2,642,168

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, 2017

	Original and Final Budget	Actual	Variance with Final Budget Over (Under)
REVENUES			
Taxes and assessments:			
Ad valorem taxes	\$ 1,474,129	\$ 1,444,334	\$ (29,795)
Delinquent taxes	-	23,867	23,867
Motor vehicle tax	179,314	190,789	11,475
Payments in lieu of taxes	2,700	78	(2,622)
Revitalization rebate	(18,995)	(19,057)	(62)
	<u>1,637,148</u>	<u>1,640,011</u>	<u>2,863</u>
Investment income	<u>1,000</u>	<u>11,537</u>	<u>10,537</u>
Total revenues	<u>\$ 1,638,148</u>	<u>1,651,548</u>	<u>\$ 13,400</u>
EXPENDITURES			
Bond principal payment	\$ 1,500,000	1,500,000	\$ -
Interest and fiscal charges	154,780	154,750	(30)
Reserve	750,000	-	(750,000)
Total expenditures	<u>\$ 2,404,780</u>	<u>1,654,750</u>	<u>\$ (750,030)</u>
Net change in fund balances		(3,202)	
Fund balances, beginning of year		813,000	
GAAP adjustments		<u>1,561</u>	
Fund balances, end of year		<u>\$ 811,359</u>	

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

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

State Aid Fund

Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance with Final Budget Over (Under)
REVENUES			
Intergovernmental revenues	\$ 60,000	\$ 52,708	\$ (7,292)
EXPENDITURES			
Library services	\$ 60,000	52,708	\$ (7,292)
Net change in fund balances		-	
Fund balances, beginning of year		-	
Fund balances, end of year		\$ -	



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, 2017, 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 16, 2018. 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.

Berberich Trahan & Co., P.A.

Topeka, Kansas
April 16, 2018