



BERBERICH TRAHAN & CO., P.A.

Certified Public Accountants

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

BASIC FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2010

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

BASIC FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

Year Ended December 31, 2010

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Topeka and Shawnee County Public Library:

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, 2010, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. 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 Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions. The financial statements of the Library Foundation were not audited in accordance with *Government Auditing Standards*.

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 Topeka and Shawnee County Public Library, as of December 31, 2010, and the respective changes in financial position and the budgetary comparisons for the general fund and employee benefit fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2011 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* and should be considered in assessing the results of our audit.



The Management's Discussion and Analysis on pages 3 through 12 and the schedule of funding progress on page 45 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Topeka and Shawnee County Public Library's basic financial statements. The supplementary information, including combining 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Berberich Trahan & Co., P.A.

April 18, 2011

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, 2010. 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 13.

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 assets were \$16,565,305 at December 31, 2010. Of this amount, \$2,306,736 (unrestricted net assets) may be used to meet the Library's ongoing obligations.
- During the year, the Library's expenses were \$1,344,041 more than the \$16,300,874 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$2,798,524.

- E-rate funds continue to offset part of the charges for telecommunication services.
- By action of the Kansas Legislature “slider” monies were eliminated for FY2010.
- The Library continued its contract with Unique Management Services to recover outstanding library materials.
- Fees for late return of library materials, printing, interlibrary loan services, mailing of library materials, non resident library cards, faxing, and meeting rooms generated \$449,638 in 2010.

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 Assets 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 Assets presents information on all of the Library’s assets and liabilities, with the difference between the two reported as net assets. This statement combines and consolidates governmental fund’s current financial resources (short-term spendable resources) with capital assets and long-term obligations using the accrual basis of accounting. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The Statement of Activities presents information showing how the Library’s net assets changed during the most recent fiscal year. All changes in net assets 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, 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 20-22 and pages 48-49 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 23-44 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 Assets

STATEMENT OF NET ASSETS

Comparative as of December 31, 2010 and December 31, 2009

	2010	2009	Change
Assets:			
Cash and cash equivalents	\$ 7,598,151	\$ 7,239,526	\$ 358,625
Receivables:			
Taxes and assessments	12,516,581	12,384,830	131,751
Other	66,824	53,167	13,657
Prepays	172,218	133,420	38,798
Due from component unit	266,509	265,544	965
Due from related party	11,640	13,064	(1,424)
Endowment securities	182,377	166,927	15,450
Split interest agreements	139,000	140,000	(1,000)
Capital assets not being depreciated:			
Land	938,029	938,029	-
Works of art	2,081,228	1,881,470	199,758
Capital assets net of accumulated depreciation:			
Buildings and improvements	20,643,469	21,345,589	(702,120)
Equipment	916,861	1,283,543	(366,682)
Books and collections	1,371,635	2,079,881	(708,246)
Total assets	<u>46,904,522</u>	<u>47,924,990</u>	<u>(1,020,468)</u>
Liabilities:			
Accrued payroll	103,029	83,024	20,005
Accrued interest payable	173,899	188,249	(14,350)
Unearned revenue	12,625,777	12,494,718	131,059
Long term liabilities:			
Due within one year	1,294,549	1,295,277	(728)
Due in more than one year	16,141,963	15,954,376	187,587
Total liabilities	<u>30,339,217</u>	<u>30,015,644</u>	<u>323,573</u>
Net assets:			
Invested in capital assets, net of related debt	12,616,222	12,963,512	(347,290)
Restricted for:			
Expendable:			
Debt service	754,467	1,135,419	(380,952)
Other purposes	447,805	408,724	39,081
Nonexpendable	440,075	424,198	15,877
Unrestricted	2,306,736	2,977,493	(670,757)
Total net assets	<u>\$ 16,565,305</u>	<u>\$ 17,909,346</u>	<u>\$ (1,344,041)</u>

The Library's combined net assets decreased by \$1,344,041 from \$17,909,346 to \$16,565,305 which means the Library is economically worse off at December 31, 2010 than December 31, 2009.

Statement of Activities

The following table summarizes the revenue and expenses of the Library's activities for 2010 and 2009.

STATEMENT OF ACTIVITIES

For the Years Ended December 31, 2010 and December 31, 2009

	<u>2010</u>	<u>2009</u>	<u>Change</u>
Program Revenues:			
Charges for services	\$ 1,027,299	\$ 658,449	\$ 368,850
Operating grants and contributions	505,665	765,263	(259,598)
Capital grants and contributions	193,645	89,075	104,570
General Revenues:			
Property taxes	14,506,865	14,551,887	(45,022)
Net investment income	67,400	86,310	(18,910)
Total revenues	<u>16,300,874</u>	<u>16,150,984</u>	<u>149,890</u>
Function/Program Expenses:			
Library services	17,094,507	17,275,362	(180,855)
Interest on long-term debt	550,408	590,639	(40,231)
Total expenses	<u>17,644,915</u>	<u>17,866,001</u>	<u>(221,086)</u>
Change in net assets	(1,344,041)	(1,715,017)	370,976
Net Assets - Beginning	17,909,346	19,624,363	(1,715,017)
Net Assets - Ending	<u>\$ 16,565,305</u>	<u>\$ 17,909,346</u>	<u>\$ (1,344,041)</u>

The Library is primarily funded by a property tax levied on all property located within Shawnee County except for property located within Rossville township and Silver Lake township. The Library is not subject to property tax limits that limit annual increases in the total tax levy. However, the Library Board strives to limit the levy increase.

As reported in the Statement of Activities on page 14 the cost of all of our governmental activities in 2010 was \$17,644,915, a decrease of \$221,086 (1%) over the 2009 total cost of \$17,866,001.

- The amount that our taxpayers paid for these activities through taxes was \$14,506,865, a decrease of \$45,022 (.3%) below 2009.
- Some of the cost (\$1,027,299) was paid by those who directly benefited from the services.
- Some of the cost (\$699,310) 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 and the Employee Benefit Fund.

During the fiscal year ended December 31, 2010, the Library did not amend the General Fund budget.

General Fund

STATEMENT OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL

Year ended December 31, 2010

	2010		
	Budget	Actual	Variance
Revenue:			
Ad valorem taxes	\$ 9,186,035	\$ 8,766,038	\$ (419,997)
Delinquent taxes	-	203,797	203,797
Motor vehicle taxes	1,199,345	1,176,333	(23,012)
Payment in lieu of taxes	46,590	43,730	(2,860)
Investment income	10,000	10,211	211
Overdue fines and fees	500,000	374,204	(125,796)
Miscellaneous	277,137	393,409	116,272
Total revenues	<u>\$ 11,219,107</u>	<u>\$ 10,967,722</u>	<u>\$ (251,385)</u>
Expenditures:			
Salaries	\$ 8,236,177	\$ 7,994,044	\$ 242,133
Library materials	1,000,000	988,672	11,328
Equipment	8,800	6,856	1,944
Other operating expenses	3,687,565	1,662,873	2,024,692
Total expenditures	<u>\$ 12,932,542</u>	<u>\$ 10,652,445</u>	<u>\$ 2,280,097</u>

The general fund actual revenue for 2010 was \$10,967,722; \$251,385 below the budgeted amount of \$11,219,107. 93% of all general fund revenues came from taxes.

The actual expenditures of the general fund for 2010 were \$10,652,445; \$2,280,097 below the budget estimate of \$12,932,542. The percentage breakdown for general fund expenditures was: salaries 75%; library materials 9%; equipment 0%; other operating expenses 16%.

The fund balance for the general fund at the end of 2010 was \$2,798,524 as compared to an ending fund balance on December 31, 2009 of \$2,480,212.

Employee Benefit Fund

STATEMENT OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL

Year ended December 31, 2010

	2010		
	Budget	Actual	Variance
Revenues:			
Ad valorem taxes	\$ 2,745,241	\$ 2,619,912	\$ (125,329)
Delinquent taxes	-	39,104	39,104
Motor vehicle taxes	256,450	247,873	(8,577)
Payments in lieu of taxes	9,960	13,069	3,109
Miscellaneous	90,000	207,183	117,183
Total Revenues	<u>\$ 3,101,651</u>	<u>\$ 3,127,141</u>	<u>\$ 25,490</u>
Expenditures:			
FICA	\$ 630,068	\$ 588,385	\$ 41,683
Health/dental insurance	1,701,750	1,520,848	180,902
KPERS	562,517	526,022	36,495
Miscellaneous	330,000	-	330,000
Revitalization rebates	16,332	-	16,332
Unemployment tax	8,300	5,414	2,886
Worker's compensation	100,000	110,630	(10,630)
Total Expenditures	<u>\$ 3,348,967</u>	<u>\$ 2,751,299</u>	<u>\$ 597,668</u>

The employee benefit fund actual revenue for 2010 was \$3,127,141; \$25,490 above the budgeted amount of \$3,101,651. 93% of all employee benefit fund revenues came from taxes.

The actual expenditures of the employee benefit fund for 2010 were \$2,751,299; \$597,668 below the original budget estimate of \$3,348,967. The percentage breakdown for employee benefit fund expenditures was: FICA 21.4%; health/dental insurance 55.3%; KPERS 19.1%; unemployment tax .2%; worker's compensation 4%.

The fund balance for the employee benefit fund at the end of 2010 was \$629,706 as compared to an ending fund balance on December 31, 2009 of \$254,028.

GOVERNMENTAL FUNDS REVENUES

The total governmental fund revenues of the Library for 2010 were \$16,107,776; compared to total governmental fund revenues for 2009 of \$16,026,333. Of the total revenues, \$14,506,865 or 90.1% was generated from taxes and assessments; compared to \$14,551,887 or 90.8% generated from taxes and assessments in 2009.

GOVERNMENTAL FUNDS EXPENDITURES

	2010		2009	
	Total	% of Total	Total	% of Total
General Fund	\$ 10,649,410	68%	\$ 11,595,594	70%
Employee Benefit Fund	2,751,463	18%	2,702,225	16%
Capital Improvement Fund	-	0%	12,161	0%
Bond & Interest Fund	1,794,757	11%	1,798,585	11%
Other Governmental Funds	505,388	3%	537,647	3%
	<u>\$ 15,701,018</u>		<u>\$ 16,646,212</u>	

In reviewing the chart above, you will see that the general fund comprises 68% of all the expenditures within the governmental funds; 2% less than in 2009. Total governmental fund expenditures amounted to \$15,701,018; a decrease of \$945,194 from the 2009 total of \$16,646,212.

GOVERNMENTAL FUNDS FUND BALANCES

	Total Revenues	Total Expenditures	Fund Balance 1/1/2010	Fund Balance 12/31/2010
General Fund	\$ 10,967,722	\$ 10,649,410	\$ 2,480,212	\$ 2,798,524
Employee Benefit	3,127,141	2,751,463	254,028	629,706
Capital Improvement	4,556	-	2,785,365	2,789,921
Bond & Interest	1,399,455	1,794,757	1,323,668	928,366
Other Govt Funds	608,902	505,388	835,463	938,977
	<u>\$ 16,107,776</u>	<u>\$ 15,701,018</u>	<u>\$ 7,678,736</u>	<u>\$ 8,085,494</u>

The governmental funds had a net increase in fund balance of \$406,758. The ending fund balance for all governmental funds was \$8,085,494. This fund balance will be used to fund future capital improvements, retire debt service and to cover expenses at the beginning of the next fiscal year. The fund balance is essential to maintain library operations since the library does not receive its first tax distribution until late January.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 938,029	\$ -	\$ -	\$ 938,029
Works of art	1,881,470	199,758	-	2,081,228
Total capital assets, not being depreciated	<u>2,819,499</u>	<u>199,758</u>	<u>-</u>	<u>3,019,257</u>
Capital assets, being depreciated				
Building and improvements	28,076,535	-	-	28,076,535
Equipment	4,808,035	9,150	(17,372)	4,799,813
Books and collections	10,369,099	862,652	(1,531,066)	9,700,685
Total capital assets, being depreciated	<u>43,253,669</u>	<u>871,802</u>	<u>(1,548,438)</u>	<u>42,577,033</u>
Less accumulated depreciation for:				
Buildings and improvements	(6,730,946)	(702,120)	-	(7,433,066)
Equipment	(3,524,492)	(374,182)	15,722	(3,882,952)
Books and collections	(8,289,218)	(849,163)	809,331	(8,329,050)
Total accumulated depreciation	<u>(18,544,656)</u>	<u>(1,925,465)</u>	<u>825,053</u>	<u>(19,645,068)</u>
Total capital assets, being depreciated, net	<u>24,709,013</u>	<u>(1,053,663)</u>	<u>(723,385)</u>	<u>22,931,965</u>
Capital assets, net	<u>\$27,528,512</u>	<u>\$ (853,905)</u>	<u>\$ (723,385)</u>	<u>\$25,951,222</u>

At the end of 2010 the Library had \$45.6 million invested in land, works of art, building and improvements, equipment and books and collections. Of this amount \$19.6 million in depreciation has been taken over the years. Total acquisitions for the year were \$871,802 and depreciation was \$1.9 million.

There were no major capital asset events during the 2010 fiscal year.

Long-Term Debt

At the end of fiscal year 2010, the Library had \$13,335,000 in bonds outstanding. More detailed information about the Library's debt is presented in the Notes to Basic Financial Statements on page 39 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:

- Interest rates – Continued low interest rates will have a negative impact on future revenue.

- Intergovernmental revenues (slider) – In 2006, the Kansas Legislature exempted new machinery and equipment from property taxation (Kansas Session Laws, Chapter 205, 2006). Because it was understood at the time that this would have an impact on local budgets, certain mitigation was included as part of the final bill. Such mitigation included “slider” payments to offset losses as well as a partial reinstatement of Local Ad Valorem Property Tax Reduction (LAVTR) funds. While some slider monies were received in 2008 and 2009, the State of Kansas has ceased the distribution of these monies to local taxing authorities. The library has lost significant revenues both as a result of the loss of the tax itself and the loss of the promised mitigation (slider payments). This will have a negative impact on future revenue.
- Because of the loss of tax revenues, additional fees for services may be added in the future.
- There are a number of capital projects related to infrastructure or service delivery that will be coming up in the next five years, i.e., youth portals, ILS upgrade, vehicle replacements, telephone system, RFID conversion, materials handling system upgrade.
- The Library will continue to watch external factors such as utility costs and third-party service charges for significant changes that would have a negative impact on the budgets.

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:

Nancy Watkins
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 – nwatkins@tscpl.org

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

STATEMENT OF NET ASSETS

December 31, 2010

	Primary Governmental Activities	Component Unit Library Foundation
Assets:		
Cash and cash equivalents	\$ 7,598,151	\$ 54,028
Receivables:		
Taxes and assessments	12,516,581	-
Accrued interest	-	12,267
Pledges, net of discount of \$ 6,621	-	39,009
Other	66,824	-
Prepays	172,218	-
Due from component unit	266,509	-
Due from related party	11,640	-
Endowment securities	182,377	-
Investments	-	1,097,578
Split interest agreements	139,000	-
Restricted assets:		
Investments:		
Temporarily restricted	-	2,271,064
Permanently restricted	-	1,511,165
Capital assets not being depreciated:		
Land	938,029	-
Works of art	2,081,228	-
Capital assets net of accumulated depreciation:		
Buildings and improvements	20,643,469	-
Equipment	916,861	2,592
Books and collections	1,371,635	-
Total assets	<u>46,904,522</u>	<u>4,987,703</u>
Liabilities:		
Accounts payable	-	266
Accrued payroll	103,029	-
Accrued interest payable	173,899	-
Due to primary government	-	266,509
Unearned revenue	12,625,777	-
Long-term liabilities:		
Due within one year	1,294,549	-
Due in more than one year	16,141,963	-
Total liabilities	<u>30,339,217</u>	<u>266,775</u>
Net assets:		
Invested in capital assets, net of related debt	12,616,222	2,592
Restricted for:		
Expendable:		
Debt service	754,467	-
Other purposes	447,805	2,306,073
Nonexpendable	440,075	1,263,360
Unrestricted	2,306,736	1,148,903
Total net assets	<u>\$ 16,565,305</u>	<u>\$ 4,720,928</u>

See accompanying notes to basic financial statements.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

STATEMENT OF ACTIVITIES

Year Ended December 31, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Component Unit Library Foundation
Primary government:						
Governmental activities:						
Library services	\$ 17,094,507	\$ 1,027,299	\$ 505,665	\$ 193,645	\$ (15,367,898)	
Interest on long-term debt	550,408	-	-	-	(550,408)	
Total primary government	\$ 17,644,915	\$ 1,027,299	\$ 505,665	\$ 193,645	(15,918,306)	
Component unit:						
Library Foundation	\$ 390,618	\$ -	\$ 195,909	\$ -		\$ (194,709)
General revenues:						
Property taxes					14,506,865	-
Net investment income					67,400	97,534
Unrealized gains on investments					-	262,849
Café fees					-	21,000
Change in value of split interest agreements					-	(983)
Additions to permanent endowments, net of amortization of discount					-	18,832
Total general revenues and additions to permanent endowments					14,574,265	399,232
Change in net assets					(1,344,041)	204,523
Net assets - beginning					17,909,346	4,516,405
Net assets - ending					\$ 16,565,305	\$ 4,720,928

See accompanying notes to basic financial statements.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

BALANCE SHEET -
GOVERNMENTAL FUNDS

December 31, 2010

	<u>General</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 2,647,890
Receivables:	
Taxes and assessments	8,463,875
Other	64,269
Prepays	172,218
Due from component unit	6,815
Due from related party	10,361
Endowment securities	-
	<hr/>
Total assets	\$ 11,365,428
	<hr/> <hr/>
<u>LIABILITIES AND FUND BALANCES</u>	
Accrued payroll	\$ 103,029
Deferred revenue	8,463,875
	<hr/>
Total liabilities	8,566,904
	<hr/>
Fund balances:	
Reserved for:	
Encumbrances	90,473
Prepays	172,218
Perpetual care	-
Unreserved	2,535,833
Unreserved, reported as nonmajor:	
Special revenue funds	-
	<hr/>
Total fund balances	2,798,524
	<hr/>
Total liabilities and fund balances	\$ 11,365,428
	<hr/> <hr/>

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

 Bonds payable
 Accrued interest
 Accrued net OPEB obligation
 Compensated absences

Net assets of governmental activities

See accompanying notes to basic financial statements.

Employee Benefit	Capital Improvement	Debt Service - Bond and Interest	Other Governmental Funds	Total Governmental Funds
\$ 628,427	\$ 2,789,921	\$ 928,366	\$ 603,547	\$ 7,598,151
2,433,402	-	1,619,304	-	12,516,581
-	-	-	2,555	66,824
-	-	-	-	172,218
-	-	-	259,694	266,509
1,279	-	-	-	11,640
-	-	-	182,377	182,377
<u>\$ 3,063,108</u>	<u>\$ 2,789,921</u>	<u>\$ 2,547,670</u>	<u>\$ 1,048,173</u>	<u>\$ 20,814,300</u>
\$ -	\$ -	\$ -	\$ -	\$ 103,029
2,433,402	-	1,619,304	109,196	12,625,777
<u>2,433,402</u>	<u>-</u>	<u>1,619,304</u>	<u>109,196</u>	<u>12,728,806</u>
-	-	-	4,953	95,426
-	-	-	-	172,218
-	-	-	440,075	440,075
629,706	2,789,921	928,366	-	6,883,826
-	-	-	493,949	493,949
<u>629,706</u>	<u>2,789,921</u>	<u>928,366</u>	<u>938,977</u>	<u>8,085,494</u>
<u>\$ 3,063,108</u>	<u>\$ 2,789,921</u>	<u>\$ 2,547,670</u>	<u>\$ 1,048,173</u>	
				25,951,222
				139,000
			\$ (13,335,000)	
			(173,899)	
			(3,553,642)	
			(547,870)	(17,610,411)
				<u>\$ 16,565,305</u>

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

Year Ended December 31, 2010

	General
Revenues:	
Taxes and assessments	\$ 10,189,898
Intergovernmental revenues	-
Contributions	-
Investment income	10,211
Overdue fines and fees	-
Miscellaneous	393,409
Receipts from component unit	-
Total revenues	10,593,518
Expenditures:	
Library services	9,963,492
Capital outlay	685,918
Debt service:	
Bond principal payment	-
Interest and fiscal charges	-
Total expenditures	10,649,410
Excess (deficiency) of revenues over expenditures	(55,892)
Fund balances, beginning of year	2,480,212
Fund balances, end of year	\$ 2,424,320

See accompanying notes to basic financial statements.

<u>Employee Benefit</u>	<u>Capital Improvement</u>	<u>Debt Service - Bond and Interest</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 2,919,958	\$ -	\$ 1,397,009	\$ -	\$ 14,506,865
-	-	-	306,215	306,215
-	-	-	86,984	86,984
-	4,556	2,446	50,187	67,400
-	-	-	-	-
207,183	-	-	52,050	652,642
-	-	-	113,466	113,466
<u>3,127,141</u>	<u>4,556</u>	<u>1,399,455</u>	<u>608,902</u>	<u>15,733,572</u>
2,751,463	-	-	313,141	13,028,096
-	-	-	192,247	878,165
-	-	1,230,000	-	1,230,000
-	-	564,757	-	564,757
<u>2,751,463</u>	<u>-</u>	<u>1,794,757</u>	<u>505,388</u>	<u>15,701,018</u>
375,678	4,556	(395,302)	103,514	32,554
254,028	2,785,365	1,323,668	835,463	7,678,736
<u>\$ 629,706</u>	<u>\$ 2,789,921</u>	<u>\$ 928,366</u>	<u>\$ 938,977</u>	<u>\$ 7,711,290</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, 2010

Net change in fund balances - total governmental funds		\$ 32,554
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 depreciation (\$ 1,925,465) exceeded capital outlays (\$ 877,915) in the current period.		(1,047,550)
The net effect of various miscellaneous transactions involving capital assets is to decrease net assets.		
Loss on disposal of capital assets	\$ (723,385)	
Donated capital assets	<u>193,645</u>	(529,740)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(1,000)
Repayment of bond principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net assets.		1,230,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Accrued interest	14,350	
Accrued net OPEB obligation	(1,403,247)	
Compensated absences	<u>(13,612)</u>	<u>(1,402,509)</u>
Change in net assets of governmental activities		<u>\$ (1,718,245)</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, 2010

	Original and Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:			
Ad valorem taxes	\$ 9,186,035	\$ 8,766,038	\$ (419,997)
Delinquent taxes	-	203,797	203,797
Motor vehicle tax	1,199,345	1,176,333	(23,012)
Payments in lieu of taxes	46,590	43,730	(2,860)
	<u>10,431,970</u>	<u>10,189,898</u>	<u>(242,072)</u>
Investment income	10,000	10,211	211
Overdue fines and fees	500,000	374,204	(125,796)
Miscellaneous	277,137	393,409	116,272
	<u>11,219,107</u>	<u>10,967,722</u>	<u>(251,385)</u>
Expenditures:			
Library services:			
Automation support	50,000	68,024	18,024
Binding	3,000	2,475	(525)
Books and library materials	947,000	939,742	(7,258)
Conferences	20,000	18,156	(1,844)
Contingency fund	1,200,000	-	(1,200,000)
Contracted - automation	165,000	135,356	(29,644)
Contracted - buildings/grounds	250,000	229,480	(20,520)
Contracted - office equipment	130,000	98,748	(31,252)
Contracted - professional	200,000	176,424	(23,576)
Databases	70,000	55,000	(15,000)
Employee assistance program	6,000	6,046	46
Furniture/equipment	8,800	6,856	(1,944)
Insurance	45,000	41,575	(3,425)
Marketing	12,206	12,118	(88)
Memberships/dues	20,000	16,772	(3,228)
Mileage	6,500	5,655	(845)
Miscellaneous	5,000	6,837	1,837
Payments to other libraries	50,000	63,747	13,747
Periodicals	50,000	46,455	(3,545)
	<u>3,238,506</u>	<u>1,929,466</u>	<u>(1,309,040)</u>
Expenditures - forward	\$ 3,238,506	\$ 1,929,466	\$ (1,309,040)

(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, 2010

	Original and Final Budget	Actual	Variance with Final Budget Over (Under)
Expenditures - forward	\$ 3,238,506	\$ 1,929,466	\$ (1,309,040)
Postage	430,000	26,080	(403,920)
Printing	35,000	30,200	(4,800)
Programming	10,000	7,893	(2,107)
Revitalization rebates	76,393	-	(76,393)
Salaries - auto allowance	6,400	6,154	(246)
Salaries - maintenance	632,162	584,216	(47,946)
Salaries - overtime	10,000	1,699	(8,301)
Salaries - shelvers	175,000	169,839	(5,161)
Salaries - security	225,898	246,522	20,624
Salaries - staff	7,186,717	6,985,614	(201,103)
Special projects	32,466	-	(32,466)
Staff training	8,000	7,855	(145)
Supplies - building/maintenance	70,000	61,952	(8,048)
Supplies - office and library	110,000	55,546	(54,454)
Supplies - processing	55,000	51,903	(3,097)
Telephone	111,000	100,438	(10,562)
Utilities	445,000	345,074	(99,926)
Vehicle expense	75,000	41,994	(33,006)
	<u>\$ 12,932,542</u>	<u>10,652,445</u>	<u>\$ (2,280,097)</u>
Total expenditures			
Excess of revenues over expenditures		315,277	
Fund balances, beginning of year		2,480,212	
Less encumbrances - beginning of year		(118,673)	
Add encumbrances - end of year		90,473	
Add cancellations of prior year encumbrances		<u>31,235</u>	
Fund balances, end of year		<u>\$ 2,798,524</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, 2010

	Original and Final Budget	Actual	Variance with Final Budget Over (Under)
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Ad valorem taxes	\$ 2,745,241	\$ 2,619,912	\$ (125,329)
Delinquent taxes	-	39,104	39,104
Motor vehicle tax	256,450	247,873	(8,577)
Payments in lieu of taxes	9,960	13,069	3,109
	<u>3,011,651</u>	<u>2,919,958</u>	<u>(91,693)</u>
 Miscellaneous	 90,000	 207,183	 117,183
	<u>90,000</u>	<u>207,183</u>	<u>117,183</u>
Total revenues	<u>\$ 3,101,651</u>	3,127,141	<u>\$ 25,490</u>
 Expenditures:			
Library services	<u>\$ 3,348,967</u>	<u>2,751,299</u>	<u>\$ (597,668)</u>
Excess of revenues over expenditures		375,842	
Fund balances, beginning of year		254,028	
Less encumbrances - beginning of year		<u>(164)</u>	
Fund balances, end of year		<u>\$ 629,706</u>	

See accompanying notes to basic financial statements.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2010

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. 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 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. The Foundation has the potential to impose a financial benefit/burden on the Library.

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 assets and the statement of activities) report information on all of the activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. 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.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

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 deferred revenue accounts.

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)

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.

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.

Capital Improvement Fund is used for the cost of equipment and additions to the building and for the acquisition of land required for such addition, branch or parking facility for use by the patrons.

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as program revenues include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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)

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 cash equivalents" in the financial statements. These pooled investments consist primarily of operating accounts and nonnegotiable certificates of deposit which are recorded at cost because they are not affected by market rate changes. 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.

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, 2010.

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 fair value at the date of donation.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

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

Compensated Absences

The liability for compensated absences in the government-wide statements consists of unpaid, accumulated annual 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. 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.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1 - Summary of Significant Accounting Policies (Continued)

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 and liabilities and disclosure of contingent assets and liabilities 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.

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 2010.

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.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Budgetary Policy (Continued)

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 are reported as reservations of fund balances and 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.

Pending Governmental Accounting Standards Board Statements

At December 31, 2010, the Governmental Accounting Standards Board (GASB) had issued two statements not yet implemented by the Library. The statements that might impact the Library are as follows:

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 (Continued)

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was issued in February 2009. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The provisions of this statement are effective for periods beginning after June 15, 2010.

GASB Statement No.61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, was issued in November 2010. The objective of this statement is to improve financial reporting by modifying certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria and guidance for reporting component units as if they were part of the primary government (that is, blending). Additionally, this statement requires a primary government to report its equity interest in a component unit as an asset. The provisions of this statement are effective for periods beginning after June 15, 2012.

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 municipal investment pool or to make direct investments. The Library's investment policy does not place requirements on the credit quality ratings of its endowment securities. The Library's investments in bond mutual funds were rated AA2 and B by Standard & Poors. The Foundation is not required to follow Kansas State statutes and thus may invest in any instrument allowed by the Foundation's investment policies.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2 - Cash and Investments (Continued)

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 \$ 182,377 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.

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 \$ 2,434	<u>\$ 7,598,151</u>
Endowment securities:	
Cash and cash equivalents	5,997
Fixed income mutual funds	70,381
Equity mutual funds	104,158
Real estate equity mutual fund	<u>1,841</u>
	<u>182,377</u>
	<u><u>\$ 7,780,528</u></u>

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2 - Cash and Investments (Continued)

The Foundation's total investments at December 31, 2010 were as follows:

	Carrying Amount - Fair Value	Cost
Cash and cash equivalents	\$ 174,988	\$ 174,988
Certificates of deposit	586,537	586,537
Mutual funds	947,997	923,571
Corporate bonds	405,612	400,002
Government bonds	301,263	300,000
Equities	2,221,714	1,943,073
Investments held in trust at Topeka Community Foundation	241,696	182,785
Total investments	4,879,807	4,510,956
Due to primary government	(259,694)	(239,996)
Total Foundation investments	\$ 4,620,113	\$ 4,270,960

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

Investments:		
Unrestricted		\$ 1,097,578
Temporarily restricted		2,271,064
Permanently restricted		1,511,165
		\$ 4,879,807

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

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 2010 levy was based was \$ 1,461,056,547. During the year ended December 31, 2010, the Library collected approximately 95% of property taxes which were levied for the period.

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 unearned revenue/deferred 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 2010 and prior years which have not yet been collected and are reflected as unearned revenue/deferred revenue.

Tax revenue, including interest and penalties, by fund type for fiscal year 2010 is as follows:

	General	Employee Benefit	Debt Service	Total
Ad valorem taxes	\$ 8,766,038	\$ 2,619,912	\$ 1,187,954	\$ 12,573,904
Delinquent taxes	203,797	39,104	30,400	273,301
Motor vehicle tax	1,176,333	247,873	172,729	1,596,935
Payments in lieu of taxes	43,730	13,069	5,926	62,725
	<u>\$ 10,189,898</u>	<u>\$ 2,919,958</u>	<u>\$ 1,397,009</u>	<u>\$ 14,506,865</u>

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

3 - Tax Revenue (Continued)

The Library's property tax levies per \$ 1,000 assessed valuation for 2010 property tax revenues were as follows:

Fund	Levy
General	\$ 6.287
Employee Benefit	1.879
Debt Service	0.852
	\$ 9.018

4 - Split Interest Agreements

The Library is the beneficiary of a charitable lead trust and a perpetual trust. The terms of the charitable lead trust are for the beneficiaries to receive six percent of the value of the trust in quarterly payments. The Library is a beneficiary of ten percent of that distribution. The approximate value of the Library's portion of the charitable lead trust was \$ 77,000 at December 31, 2010. The terms of the perpetual trust are for the Library as sole beneficiary to receive the net income from the trust semiannually. The distributions are to be used for the purchase of books on history, art, travel and science. The approximate value of the Library's portion of the perpetual trust was \$ 62,000 at December 31, 2010. The split interest agreements are recorded at the estimated fair value based on the present value of future distributions using assumptions of an eight percent rate of return over twenty years.

5 - Transactions with Related Parties

Library Foundation

The Foundation holds certain restricted investments and related activity for the Library in order to pool funds and receive higher investment returns (see Note 2). The investment income, unrealized gains and losses and investment costs of those investments are recorded on the Foundation's accounts each month, net of the Library's portion.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5 - Transactions with Related Parties (Continued)

Library Foundation (Continued)

The Foundation has an income distribution policy which requires the Foundation's unrestricted net investment income less operating expenses to be distributed to the Library. Certain temporarily restricted funds are distributed to the Library based on five percent of the average net asset balance over the past twenty quarters. The permanently restricted funds are distributed in an amount equal to the earnings on, or a percentage of the value of permanently restricted funds, as determined by donor restrictions as of the previous year-end. The purpose restriction remains with the transferred amounts. The income distributions made in 2010 to the Library were as follows:

Library materials	\$	38,947
Red carpet		4,834
Talking books		2,762
Undesignated gifts		27,854
Youth services		8,837
Hirschberg lecture series		1,538
Hughes business collection		934
Torluemke landscaping		1,279
Sabatini gallery		3,583
Special collections		449
		<hr/>
	\$	91,017
		<hr/> <hr/>

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, 2010:

Bookmobile	\$	1,144
Children's show		337
Job and Career Neighborhood		1,248
Adult programs		600
Gallery special projects		9,400
Cooking Neighborhood		7,073
Miscellaneous		147
		<hr/>
	\$	19,949
		<hr/> <hr/>

The Foundation uses Library employees to perform most of its operations. The Foundation reimburses the Library for 50% of the Director of Development, the Development Professional and the Development Specialist's salaries and related benefits and 100% of the Development Associate's salary and related benefits. All payroll and withholding activities for these four employees are performed by the Library. The total amount paid during 2010 to the Library for salaries and benefits was \$ 156,681.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5 - Transactions with the Related Parties (Continued)

Library Foundation (Continued)

Amounts due from component unit consists of the following at December 31, 2010:

Investment held on behalf of Library (see Note 2)	\$ 259,694
Due for reimbursement of payroll	<u>6,815</u>
	<u>\$ 266,509</u>

Friends of the Library

The Friends of the Library (the Friends) supports the operations of the Library by providing funds for the purchase of books and equipment and various Library projects. The Friends reimburses the Library for expenses incurred by the Friends but paid by the Library on the Friends' behalf. The Friends pays the Library for the salaries and benefits of three Chandler Booktique employees. These employees are Friends' employees, who are subject to the Friends' policies and procedures, but the payment of the salaries is processed through the Library's accounting system. The Friends also pays the Library for 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 2010 to the Library for salaries and benefits was \$ 109,011. The amount due from the Friends for salaries and benefits at December 31, 2010 was \$ 11,156.

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 \$ 10,752. The amount due from the Friends for various operating expenses at December 31, 2010 was \$ 484.

The Library makes an annual request of the Friends for a contribution to be used for various Library projects. In 2010, the Friends contributed \$ 82,500 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, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 938,029	\$ -	\$ -	\$ 938,029
Works of art	1,881,470	199,758	-	2,081,228
Total capital assets not being depreciated	<u>2,819,499</u>	<u>199,758</u>	<u>-</u>	<u>3,019,257</u>
Capital assets being depreciated:				
Buildings and improvements	28,076,535	-	-	28,076,535
Equipment	4,808,035	9,150	(17,372)	4,799,813
Books and collections	10,369,099	862,652	(1,531,066)	9,700,685
Total capital assets being depreciated	<u>43,253,669</u>	<u>871,802</u>	<u>(1,548,438)</u>	<u>42,577,033</u>
Less accumulated depreciation for:				
Buildings and improvements	(6,730,946)	(702,120)	-	(7,433,066)
Equipment	(3,524,492)	(374,182)	15,722	(3,882,952)
Books and collections	(8,289,218)	(849,163)	809,331	(8,329,050)
Total accumulated depreciation	<u>(18,544,656)</u>	<u>(1,925,465)</u>	<u>825,053</u>	<u>(19,645,068)</u>
Total capital assets being depreciated, net	<u>24,709,013</u>	<u>(1,053,663)</u>	<u>(723,385)</u>	<u>22,931,965</u>
Capital assets, net	<u>\$ 27,528,512</u>	<u>\$ (853,905)</u>	<u>\$ (723,385)</u>	<u>\$ 25,951,222</u>

Depreciation expense of \$ 1,925,465 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, 2010:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
G.O. Refunding Bonds, Series 2002	\$ 14,565,000	\$ -	\$ 1,230,000	\$ 13,335,000	\$ 1,275,000
Compensated absences	534,258	676,655	663,043	547,870	19,549
Net OPEB obligation	2,150,395	1,470,609	67,362	3,553,642	-
Total long-term debt	<u>\$ 17,249,653</u>	<u>\$ 2,147,264</u>	<u>\$ 1,960,405</u>	<u>\$ 17,436,512</u>	<u>\$ 1,294,549</u>

The General Obligation Refunding Bonds, Series 2002 are due in annual payments graduating from \$ 1,275,000 on September 1, 2011 to \$ 1,720,000 on September 1, 2019. The bonds bear interest at rates ranging from 3.50% - 4.30% payable semi-annually.

Compensated absences are generally liquidated by the general fund.

The annual debt service requirements to amortize general obligation bonds outstanding as of December 31, 2010 are as follows:

For the Year Ending December 31,	Principal	Interest	Total
2011	\$ 1,275,000	\$ 521,698	\$ 1,796,698
2012	1,320,000	477,073	1,797,073
2013	1,365,000	429,223	1,794,223
2014	1,415,000	380,083	1,795,083
2015	1,470,000	327,020	1,797,020
2016-2020	6,490,000	696,545	7,186,545
	<u>\$ 13,335,000</u>	<u>\$ 2,831,642</u>	<u>\$ 16,166,642</u>

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.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

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>	
2011	\$ 70,123
2012	29,145
2013	20,458
2014	652
	<hr/>
	\$ 120,378
	<hr/> <hr/>

Operating lease expense was approximately \$ 76,000 for the year ended December 31, 2010.

9 - Defined Benefit Pension Plan

Plan Description

The Library contributes to the Kansas Public Employees Retirement System (KPERS) which is a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (611 South Kansas Avenue, Suite 100; Topeka, Kansas 66603-3803) or by calling 1-888-275-5737.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

9 - Defined Benefit Pension Plan (Continued)

Funding Policy

K.S.A. 74-4919 establishes the KPERS member employee contribution rate (at 4% of covered salary for employees hired on or before June 30, 2009 and 6% of covered salary for employees hired after June 30, 2009). The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by Statute for the period of January 1, 2010 to December 31, 2010 was 6.14%. The employer insurance contribution rate for the period January 1, 2010 to March 31, 2010 and July 1, 2010 to December 31, 2010 was 1%. The Library's employer contributions to KPERS for the years ending December 31, 2010, 2009 and 2008 were approximately \$ 526,000, \$ 452,000 and \$ 415,000, respectively, equal to the statutory required contributions.

10 - Other Postemployment Healthcare Benefits

Plan Description

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

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

10 - Other Postemployment Healthcare Benefits (Continued)

Funding Policy

The Library provides medical and dental insurance benefits to retirees and their dependents in accordance with Kansas law (K.S.A. 12-5040). Library policy, which may be amended by the Board of Trustees, establishes that participating retirees contribute 50% of the full premium to the plan. The funding policy of the Library is to pay retiree premiums as they come due through the employee benefit fund. In 2010, retired plan members receiving benefits contributed \$ 58,065 to the plan and the Library contributed \$ 67,362.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$	1,490,731
Interest on amortized liability		86,016
Adjustment to the ARC		<u>(106,138)</u>
Annual OPEB cost (expense)		1,470,609
Contributions made		<u>(67,362)</u>
Increase in net OPEB obligation		1,403,247
Net OPEB obligation, January 1, 2010		<u>2,150,395</u>
Net OPEB obligation, December 31, 2010	\$	<u><u>3,553,642</u></u>

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Other Postemployment Healthcare Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

Schedule of Employer Contributions (for fiscal year ended):

Year	Annual OPEB Cost	Employer Contributions	Percentage Contributed	End of Year Net OPEB Obligation
2010	\$ 1,470,609	\$ 67,362	4.6%	\$ 3,553,642
2009	1,122,583	61,762	5.5%	2,150,395
2008	1,132,779	43,205	3.8%	1,089,574

Funded Status and Funding Progress

As of January 1, 2010, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$ 11,752,848. The Library's policy is to fund the benefits on a pay as you go basis, resulting in an unfunded actuarial accrued liability (UAAL) of \$ 11,752,848. The covered payroll (annual payroll of active employees covered by the plan) was \$ 7,783,075, and the ratio of the UAAL to the covered payroll was 151 percent.

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

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

10 - Other Postemployment Healthcare Benefits (Continued)

Actuarial Methods and Assumptions

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

The projected unit credit actuarial cost method was applied in the January 1, 2010 actuarial valuation. The actuarial assumptions include a 4 percent investment rate of return, which is based on expected returns of asset classes stipulated in the investment policy underlying idle funds and recent return experience. The valuation assumed annual medical care cost trend rates of 5.3 to 8 percent in the first three years and an ultimate rate of 5 percent after three years. The valuation assumed an annual dental care cost trend rate of 4 percent per year. The UAAL is being amortized over a 30 year open period on a level percent of pay basis.

11 - Risk Management

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

REQUIRED SUPPLEMENTARY INFORMATION

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

Schedule of Funding Progress

Health Insurance Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2008	\$ -	\$ 8,804,959	\$ 8,804,959	0.0%	\$ 7,267,567	121.2%
1/1/2010	\$ -	\$ 11,752,848	\$ 11,752,848	0.0%	\$ 7,783,075	151.0%

SUPPLEMENTARY INFORMATION

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS

December 31, 2010

	State Aid	Grants	Other Special Revenue	Permanent Funds	Total Nonmajor Governmental Funds
<u>ASSETS</u>					
Cash and cash equivalents	\$ 2,974	\$ 107,229	\$ 493,344	\$ -	\$ 603,547
Other receivable	-	2,555	-	-	2,555
Due from component unit	-	-	1,996	257,698	259,694
Endowment securities	-	-	-	182,377	182,377
Total assets	<u>\$ 2,974</u>	<u>\$ 109,784</u>	<u>\$ 495,340</u>	<u>\$ 440,075</u>	<u>\$ 1,048,173</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Deferred revenue	\$ -	\$ 109,196	\$ -	\$ -	\$ 109,196
Fund balances:					
Reserved for:					
Encumbrances	2,396	-	2,557	-	4,953
Perpetual care	-	-	-	440,075	440,075
Unreserved	578	588	492,783	-	493,949
Total fund balances	<u>2,974</u>	<u>588</u>	<u>495,340</u>	<u>440,075</u>	<u>938,977</u>
Total liabilities and fund balances	<u>\$ 2,974</u>	<u>\$ 109,784</u>	<u>\$ 495,340</u>	<u>\$ 440,075</u>	<u>\$ 1,048,173</u>

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

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

Year Ended December 31, 2010

	State Aid	Grants	Other Special Revenue	Permanent Funds	Total Nonmajor Governmental Funds
Revenues:					
Intergovernmental revenues	\$ 94,300	\$ 211,915	\$ -	\$ -	\$ 306,215
Contributions	-	-	86,984	-	86,984
Investment income	-	-	34,310	15,877	50,187
Miscellaneous	-	-	52,050	-	52,050
Receipts from component unit	-	-	113,466	-	113,466
Total revenues	<u>94,300</u>	<u>211,915</u>	<u>286,810</u>	<u>15,877</u>	<u>608,902</u>
Expenditures:					
Library services	-	187,941	125,200	-	313,141
Capital outlay	91,576	23,386	77,285	-	192,247
Total expenditures	<u>91,576</u>	<u>211,327</u>	<u>202,485</u>	<u>-</u>	<u>505,388</u>
Net change in fund balances	2,724	588	84,325	15,877	103,514
Fund balances, beginning of year	<u>250</u>	<u>-</u>	<u>411,015</u>	<u>424,198</u>	<u>835,463</u>
Fund balances, end of year	<u>\$ 2,974</u>	<u>\$ 588</u>	<u>\$ 495,340</u>	<u>\$ 440,075</u>	<u>\$ 938,977</u>

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, 2010

	Original and Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:			
Taxes and assessments:			
Ad valorem taxes	\$ 1,244,074	\$ 1,187,954	\$ (56,120)
Delinquent taxes	-	30,400	30,400
Motor vehicle tax	175,943	172,729	(3,214)
Payments in lieu of taxes	6,840	5,926	(914)
	<u>1,426,857</u>	<u>1,397,009</u>	<u>(29,848)</u>
Investment income	2,500	2,446	(54)
Total revenues	<u>\$ 1,429,357</u>	<u>1,399,455</u>	<u>\$ (29,902)</u>
Expenditures:			
Bond principal payment	\$ 1,230,000	1,230,000	\$ -
Interest and fiscal charges	564,748	564,757	9
Cash basis reserve	1,000,000	-	(1,000,000)
Neighborhood revitalization rebate	11,215	-	(11,215)
Total expenditures	<u>\$ 2,805,963</u>	<u>1,794,757</u>	<u>\$ (1,011,206)</u>
Deficiency of revenues under expenditures		(395,302)	
Fund balances, beginning of year		<u>1,323,668</u>	
Fund balances, end of year		<u>\$ 928,366</u>	

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

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

State Aid Fund

Year Ended December 31, 2010

	Original and Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:			
Intergovernmental revenues	\$ 110,000	\$ 94,300	\$ (15,700)
Expenditures:			
Library materials	\$ 110,000	93,722	\$ (16,278)
Excess of revenues over expenditures		578	
Fund balances, beginning of year		250	
Less encumbrances - beginning of year		(250)	
Add encumbrances - end of year		2,396	
Fund balances, end of year		\$ 2,974	



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

**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 the financial statements of the governmental activities, 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, 2010, which collectively comprise the Library's basic financial statements and have issued our report thereon dated April 18, 2011. 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. The financial statements of the Library Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not extend to that component unit.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements are free of 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*.

This report is intended solely for the information and use of management and the Board of Trustees and is not intended to be and should not be used by anyone other than those specified parties.

Berberich Trahan & Co., P.A.

April 18, 2011

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

SCHEDULE OF FINDINGS AND RESPONSES

December 31, 2010

There were no audit findings in the current year.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

December 31, 2010

Finding 2009-1

Significant Deficiency – There is a lack of internal controls over access to the smart money manager system (the system).

Criteria – Employees with general access to the system use a universal password to gain access to the system. All employee user names are formatted similarly. Employees have the ability to log on the system as another employee and manipulate the system, creating the appearance of the other employee using the system.

Cause – Management determined that the system users did not need unique user names and passwords.

Effect – In the event of theft of assets or manipulation of the system, the lack of unique user names and passwords would make it impossible to follow an audit trail.

Recommendation – We recommend that system users be assigned a unique password to access the system.

Management's Response/Corrective Action Plan (Unaudited) – Beginning March 5, 2010 all users of the Point of Sale system began using unique passwords to access the system.

Follow-Up – We determined that all users of the Point of Sale system began using unique passwords to access the system. The finding is considered resolved.