



BERBERICH TRAHAN & CO., P.A.

Certified Public Accountants

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

BASIC FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2011

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

BASIC FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

Year Ended December 31, 2011

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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, 2011, 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 Library, as of December 31, 2011, and the respective changes in financial position and the budgetary comparisons for the general fund, state aid fund and employee benefit fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, on January 1, 2011, the Library changed its method of accounting to adopt Government Accounting Standards Board Statement No. 54: Fund Balance Reporting and Governmental Fund Type Definitions.

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In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2012 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 12 and the Schedule of Funding Progress on page 47 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.

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 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Berberich Trahan & Co., P.A.

April 9, 2012

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, 2011. 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 \$15,966,592 as of December 31, 2011. Of this amount, \$1,445,794 (unrestricted net assets) may be used to meet the Library's ongoing obligations.
- During the year, the Library's expenses were \$592,713 more than the \$16,290,633 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$3,212,171.

- E-rate funds continue to offset part of the charges for telecommunication services.
- The Library continued its contract with Unique Management Services to recover outstanding library materials.
- Fees to library users, including late return of library materials, printing, copying, interlibrary loan services, mailing of library materials, non resident library cards, faxing, meeting rooms and other fees, generated \$415,513 in 2011.

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 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 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 54-55 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 23-46 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, 2011 and December 31, 2010

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Assets:			
Cash and cash equivalents	\$ 8,055,869	\$ 7,598,151	\$ 457,718
Receivables:			
Taxes and assessments	13,721,137	12,516,581	1,204,556
Other	71,271	66,824	4,447
Prepays	201,914	172,218	29,696
Due from component unit	248,939	266,509	(17,570)
Due from related party	13,670	11,640	2,030
Endowment securities	175,871	182,377	(6,506)
Split interest agreements	130,000	139,000	(9,000)
Capital assets not being depreciated:			
Land	938,029	938,029	-
Works of art	2,108,793	2,081,228	27,565
Work in progress	98,683	-	98,683
Capital assets net of accumulated depreciation:			
Buildings and improvements	19,942,706	20,643,469	(700,763)
Equipment	647,341	916,861	(269,520)
Books and collections	1,202,388	1,371,635	(169,247)
Total assets	<u>47,556,611</u>	<u>46,904,522</u>	<u>652,089</u>
Liabilities:			
Accrued payroll	131,752	103,029	28,723
Accrued interest payable	159,024	173,899	(14,875)
Unearned revenue	13,752,286	12,625,777	1,126,509
Long term liabilities:			
Due within one year	1,337,813	1,294,549	43,264
Due in more than one year	16,209,144	16,141,963	67,181
Total liabilities	<u>31,590,019</u>	<u>30,339,217</u>	<u>1,250,802</u>
Net assets:			
Invested in capital assets, net of related debt	12,877,940	12,616,222	261,718
Restricted for:			
Expendable:			
Debt service	822,359	754,467	67,892
Other purposes	399,007	447,805	(48,798)
Nonexpendable	421,492	440,075	(18,583)
Unrestricted	1,445,794	2,306,736	(860,942)
Total net assets	<u>\$ 15,966,592</u>	<u>\$ 16,565,305</u>	<u>\$ (598,713)</u>

When the financial data is presented in full compliance with accrual accounting, the Library's combined net assets decreased by \$ 598,713 from \$ 16,565,305 as of December 31, 2010 to \$ 15,966,592 as of December 31, 2011. Some accrued liabilities, such as for OPEB, continue to increase in amount, but are not required to be funded.

Statement of Activities

The following table summarizes the revenue and expenses of the Library's activities for 2010 and 2011.

STATEMENT OF ACTIVITIES

For the Years Ended December 31, 2011 and December 31, 2010

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Program Revenues:			
Charges for services	\$ 1,108,236	\$ 1,027,299	\$ 80,937
Operating grants and contributions	359,088	505,665	(146,577)
Capital grants and contributions	22,965	193,645	(170,680)
General Revenues:			
Property taxes	14,801,813	14,506,865	294,948
Change in value of split interest agreements	(9,000)	-	(9,000)
Net investment income	7,531	67,400	(59,869)
Total revenues	<u>16,290,633</u>	<u>16,300,874</u>	<u>(10,241)</u>
Function/Program Expenses:			
Library services	16,382,508	17,094,507	(711,999)
Interest on long-term debt	500,838	550,408	(49,570)
Total expenses	<u>16,883,346</u>	<u>17,644,915</u>	<u>(761,569)</u>
Change in net assets	(592,713)	(1,344,041)	751,328
Net Assets - Beginning	16,559,305	17,909,346	(1,350,041)
Net Assets - Ending	<u>\$ 15,966,592</u>	<u>\$ 16,565,305</u>	<u>\$ (598,713)</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 2011 was \$16,883,346, a decrease of \$761,569 (4.3%) over the 2010 total cost of \$17,644,915.

- The amount that our taxpayers paid for these activities through taxes was \$14,801,813, an increase of \$294,948 (2%) above 2010.
- Some of the cost (\$1,108,236) was paid by those who directly benefited from the services.
- Some of the cost (\$382,053) 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, 2011, the Library did not amend the General Fund budget.

General Fund

STATEMENT OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL

Year ended December 31, 2011

	2011		
	Budget	Actual	Variance
Revenue:			
Ad valorem taxes	\$ 8,909,342	\$ 8,566,196	\$ (343,146)
Delinquent taxes	-	356,601	356,601
Motor vehicle taxes	1,122,694	1,100,745	(21,949)
Payment in lieu of taxes	43,707	42,612	(1,095)
Investment income	5,000	7,713	2,713
Overdue fines and fees	450,000	317,022	(132,978)
Miscellaneous	292,633	365,767	73,134
Total revenues	<u>\$ 10,823,376</u>	<u>\$ 10,756,656</u>	<u>\$ (66,720)</u>
Expenditures:			
Salaries	\$ 8,284,666	\$ 7,908,663	\$ 376,003
Library materials	1,000,000	972,869	27,131
Equipment	5,000	6,145	(1,145)
Other operating expenses	3,500,487	1,748,807	1,751,680
Total expenditures	<u>\$12,790,153</u>	<u>\$10,636,484</u>	<u>\$ 2,153,669</u>

The general fund actual revenue for 2011 was \$10,756,656; \$66,720 below the budgeted amount of \$10,823,376. 93.6% of all general fund revenues came from taxes.

The actual expenditures of the general fund for 2011 were \$10,636,484; \$2,153,669 below the budget estimate of \$12,790,153. The percentage breakdown for general fund expenditures was: salaries 74.4%; library materials 9.1%; equipment .1%; other operating expenses 16.4%.

The fund balance for the general fund at the end of 2011 was \$3,212,171 as compared to an ending fund balance on December 31, 2010 of \$2,798,524.

Employee Benefit Fund

STATEMENT OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL

Year ended December 31, 2011

	2011		
	Budget	Actual	Variance
Revenues:			
Ad valorem taxes	\$ 2,561,476	\$ 2,463,390	\$ (98,086)
Delinquent taxes	-	86,611	86,611
Motor vehicle taxes	335,516	325,327	(10,189)
Payments in lieu of taxes	13,063	12,254	(809)
Miscellaneous	130,000	323,947	193,947
Total Revenues	<u>\$ 3,040,055</u>	<u>\$ 3,211,529</u>	<u>\$ 171,474</u>
Expenditures:			
FICA	\$ 633,500	\$ 581,032	\$ 52,468
Health/dental insurance	1,650,000	1,693,123	(43,123)
KPERS	623,400	566,119	57,281
Miscellaneous	330,000	-	330,000
Revitalization rebates	21,587	-	21,587
Unemployment tax	8,280	7,730	550
Worker's compensation	110,000	100,577	9,423
Total Expenditures	<u>\$ 3,376,767</u>	<u>\$ 2,948,581</u>	<u>\$ 428,186</u>

The employee benefit fund actual revenue for 2011 was \$3,211,529; \$171,474 above the budgeted amount of \$3,040,055. 90% of all employee benefit fund revenues came from taxes.

The actual expenditures of the employee benefit fund for 2011 were \$2,948,581; \$428,186 below the original budget estimate of \$3,376,767. The percentage breakdown for employee benefit fund expenditures was: FICA 19.7%; health/dental insurance 57.4%; KPERS 19.2%; unemployment tax .3%; worker's compensation 3.4%.

The fund balance for the employee benefit fund at the end of 2011 was \$896,571 as compared to an ending fund balance on December 31, 2010 of \$628,427.

GOVERNMENTAL FUNDS REVENUES

The total governmental fund revenues of the Library for 2011 were \$16,276,668; compared to total governmental fund revenues for 2010 of \$16,107,776. Of the total revenues, \$14,801,813 or 90.9% was generated from taxes and assessments; compared to \$14,506,865 or 90.1% generated from taxes and assessments in 2010.

GOVERNMENTAL FUNDS EXPENDITURES

	2011		2010	
	Total	% of Total	Total	% of Total
General Fund	\$ 10,679,516	68%	\$ 10,649,410	68%
Employee Benefit Fund	2,945,457	19%	2,751,463	18%
Capital Improvement Fund	107,239	1%	-	0%
Bond & Interest Fund	1,796,713	11%	1,794,757	11%
Other Governmental Funds	228,604	1%	505,388	3%
	<u>\$ 15,757,529</u>		<u>\$ 15,701,018</u>	

In reviewing the chart above, you will see that the general fund comprises 68% of all the expenditures within the governmental funds; the same as in 2010. Total governmental fund expenditures amounted to \$15,757,529; an increase of \$56,511 from the 2010 total of \$15,701,018.

GOVERNMENTAL FUNDS FUND BALANCES

	Total Revenues	Total Expenditures	Fund Balance 1/1/2011	Fund Balance 12/31/2011
General Fund	\$ 10,899,246	\$ 10,679,516	\$ 2,992,441	\$ 3,212,171
Employee Benefit	3,212,322	2,945,457	629,706	896,571
Capital Improvement	3,002	107,239	2,789,921	2,685,684
Bond & Interest	1,849,730	1,796,713	928,366	981,383
Other Govt Funds	312,368	228,604	745,060	828,824
	<u>\$ 16,276,668</u>	<u>\$ 15,757,529</u>	<u>\$ 8,085,494</u>	<u>\$ 8,604,633</u>

The governmental funds had a net increase in fund balance of \$519,139. The ending fund balance for all governmental funds was \$8,604,633. This fund balance will be used to fund future capital improvements, retire debt service and to pay 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 mid-to-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	2,081,228	27,565	-	2,108,793
Work in progress	-	98,683	-	98,683
Total capital assets, not being depreciated	<u>3,019,257</u>	<u>126,248</u>	<u>-</u>	<u>3,145,505</u>
Capital assets, being depreciated				
Building and improvements	28,076,535	-	-	28,076,535
Equipment	4,799,813	11,795	(258,502)	4,553,106
Books and collections	9,700,685	781,129	(1,187,352)	9,294,462
Total capital assets, being depreciated	<u>42,577,033</u>	<u>792,924</u>	<u>(1,445,854)</u>	<u>41,924,103</u>
Less accumulated depreciation for:				
Buildings and improvements	(7,432,161)	(701,668)	-	(8,133,829)
Equipment	(3,882,952)	(277,485)	254,672	(3,905,765)
Books and collections	(8,329,955)	(563,694)	801,575	(8,092,074)
Total accumulated depreciation	<u>(19,645,068)</u>	<u>(1,542,847)</u>	<u>1,056,247</u>	<u>(20,131,668)</u>
Total capital assets, being depreciated, net	<u>22,931,965</u>	<u>(749,923)</u>	<u>(389,607)</u>	<u>21,792,435</u>
Capital assets, net	<u>\$25,951,222</u>	<u>\$ (623,675)</u>	<u>\$ (389,607)</u>	<u>\$24,937,940</u>

At the end of 2011 the Library had \$45.1 million invested in land, works of art, building and improvements, equipment and books and collections. Of this amount \$20.1 million in depreciation has been taken over the years. Total acquisitions for the year were \$919,172 and depreciation was \$1.5 million.

During fiscal year 2011, the implementation of hardware and software for a new integrated library system began. This is shown as "Work in Progress" in the information about capital assets.

Long-Term Debt

At the end of fiscal year 2011, the Library had \$12,060,000 in bonds outstanding. More detailed information about the Library's debt is presented in the Notes to Basic Financial Statements on page 40 of this report.

FACTORS BEARING ON THE LIBRARY'S FUTURE

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

- Continued low interest rates will have a negative impact on future revenue.
- Some property values in Shawnee County have declined effective with the 2012 tax year which will impact future revenues.
- The Library's bonds are callable effective September 1, 2012. Due to the very low interest rates, debt refunding is being considered to reduce debt service expenditures.
- 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., kids' library, integrated library system implementation, vehicle and Bookmobile replacements, wireless service, self-check machines, telephone system, RFID conversion, materials handling system upgrade, community services pilot project and numerous facilities projects.
- 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.

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:

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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
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TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

STATEMENT OF NET ASSETS

December 31, 2011

	Primary Government <hr/> Governmental Activities <hr/>	Component Unit <hr/> Library Foundation <hr/>
Assets:		
Cash and cash equivalents	\$ 8,055,869	\$ 56,652
Receivables:		
Taxes and assessments	13,721,137	-
Accrued interest	-	15,920
Pledges, net of discount of \$ 6,621	-	41,968
Other	71,271	-
Prepaid items	201,914	-
Due from component unit	248,939	-
Due from related party	13,670	-
Endowment securities	175,871	-
Investments	-	1,036,549
Split interest agreements	130,000	-
Restricted assets:		
Investments:		
Temporarily restricted	-	2,127,744
Permanently restricted	-	1,519,187
Capital assets not being depreciated:		
Land	938,029	-
Works of art	2,108,793	-
Work in progress	98,683	-
Capital assets net of accumulated depreciation:		
Buildings and improvements	19,942,706	-
Equipment	647,341	2,055
Books and collections	1,202,388	-
Total assets	<hr/> 47,556,611 <hr/>	<hr/> 4,800,075 <hr/>
Liabilities:		
Accounts payable	-	2,073
Accrued payroll	131,752	-
Accrued interest payable	159,024	-
Due to primary government	-	248,939
Unearned revenue	13,752,286	-
Long-term liabilities:		
Due within one year	1,337,813	-
Due in more than one year	16,209,144	-
Total liabilities	<hr/> 31,590,019 <hr/>	<hr/> 251,012 <hr/>
Net assets:		
Invested in capital assets, net of related debt	12,877,940	2,055
Restricted for:		
Expendable:		
Debt service	822,359	-
Other purposes	399,007	2,177,300
Nonexpendable	421,492	1,273,842
Unrestricted	1,445,794	1,095,866
Total net assets	<hr/> \$ 15,966,592 <hr/>	<hr/> \$ 4,549,063 <hr/>

See accompanying notes to basic financial statements.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

STATEMENT OF ACTIVITIES

Year Ended December 31, 2011

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 Governmental Activities	Component Unit Library Foundation
Primary government:						
Governmental activities:						
Library services	\$ 16,382,508	\$ 1,108,236	\$ 359,088	\$ 22,965	\$ (14,892,219)	\$ -
Interest on long-term debt	500,838	-	-	-	(500,838)	-
Total primary government	<u>\$ 16,883,346</u>	<u>\$ 1,108,236</u>	<u>\$ 359,088</u>	<u>\$ 22,965</u>	<u>(15,393,057)</u>	<u>-</u>
Component unit:						
Library Foundation	<u>\$ 387,974</u>	<u>\$ -</u>	<u>\$ 379,437</u>	<u>\$ -</u>		<u>(8,537)</u>
General revenues:						
Property taxes					14,801,813	-
Net investment income					7,531	147,602
Unrealized loss on investments					-	(349,140)
Café fees					-	21,000
Change in value of split interest agreements					(9,000)	(638)
Additions to permanent endowments, net of amortization of discount					-	17,848
Total general revenues and additions to permanent endowments					<u>14,800,344</u>	<u>(163,328)</u>
Change in net assets					<u>(592,713)</u>	<u>(171,865)</u>
Net assets - beginning					16,559,305	4,720,928
Net assets - ending					<u>\$ 15,966,592</u>	<u>\$ 4,549,063</u>

See accompanying notes to basic financial statements.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

BALANCE SHEET -
GOVERNMENTAL FUNDS

December 31, 2011

	<u>General</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 3,057,818
Receivables:	
Taxes and assessments	9,639,117
Other	71,271
Prepaid items	201,914
Due from component unit	1,322
Due from related party	11,598
Endowment securities	-
	<hr/>
Total assets	\$ 12,983,040
	<hr/> <hr/>
<u>LIABILITIES AND FUND BALANCES</u>	
Accrued payroll	\$ 131,752
Deferred revenue	9,639,117
	<hr/>
Total liabilities	9,770,869
	<hr/>
Fund balances:	
Nonspendable:	
Not in spendable form	201,914
Legally or contractually required to be maintained intact	-
Restricted:	
Specific library programs	36
Debt service	-
Committed	-
Assigned	150,960
Unassigned	2,859,261
	<hr/>
Total fund balances	3,212,171
	<hr/>
Total liabilities and fund balances	\$ 12,983,040
	<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
\$ 894,499	\$ 2,685,684	\$ 981,383	\$ 436,485	\$ 8,055,869
2,529,016	-	1,553,004	-	13,721,137
-	-	-	-	71,271
-	-	-	-	201,914
-	-	-	247,617	248,939
2,072	-	-	-	13,670
-	-	-	175,871	175,871
<u>\$ 3,425,587</u>	<u>\$ 2,685,684</u>	<u>\$ 2,534,387</u>	<u>\$ 859,973</u>	<u>\$ 22,488,671</u>
\$ -	\$ -	\$ -	\$ -	\$ 131,752
<u>2,529,016</u>	<u>-</u>	<u>1,553,004</u>	<u>31,149</u>	<u>13,752,286</u>
<u>2,529,016</u>	<u>-</u>	<u>1,553,004</u>	<u>31,149</u>	<u>13,884,038</u>
-	-	-	-	201,914
-	-	-	421,492	421,492
-	-	-	398,971	399,007
-	-	981,383	-	981,383
-	220,971	-	-	220,971
896,571	2,464,713	-	8,361	3,520,605
-	-	-	-	2,859,261
<u>896,571</u>	<u>2,685,684</u>	<u>981,383</u>	<u>828,824</u>	<u>8,604,633</u>
<u>\$ 3,425,587</u>	<u>\$ 2,685,684</u>	<u>\$ 2,534,387</u>	<u>\$ 859,973</u>	
				24,937,940
				130,000
			\$ (12,060,000)	
			(159,024)	
			(4,915,652)	
			(571,305)	(17,705,981)
				<u>\$ 15,966,592</u>

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

Year Ended December 31, 2011

	General
Revenues:	
Taxes and assessments	\$ 10,066,154
Intergovernmental revenues	-
Contributions	4,205
Investment income	16,206
Overdue fines and fees	317,815
Miscellaneous	463,073
Receipts from component unit	31,793
Total revenues	10,899,246
Expenditures:	
Library services	9,890,478
Capital outlay	789,038
Debt service:	
Bond principal payment	-
Interest and fiscal charges	-
Total expenditures	10,679,516
Net change in fund balances	219,730
Fund balances, beginning of year, as previously reported	2,798,524
Change in accounting principle	193,917
Fund balances, beginning of year, as restated	2,992,441
Fund balances, end of year	\$ 3,212,171

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>
\$ 2,887,582	\$ -	\$ 1,848,077	\$ -	\$ 14,801,813
-	-	-	122,697	122,697
-	-	-	105,257	109,462
-	3,002	1,653	(13,330)	7,531
-	-	-	-	317,815
324,740	-	-	2,608	790,421
-	-	-	95,136	126,929
<u>3,212,322</u>	<u>3,002</u>	<u>1,849,730</u>	<u>312,368</u>	<u>16,276,668</u>
2,945,457	8,556	-	221,768	13,066,259
-	98,683	-	6,836	894,557
-	-	1,275,000	-	1,275,000
-	-	521,713	-	521,713
<u>2,945,457</u>	<u>107,239</u>	<u>1,796,713</u>	<u>228,604</u>	<u>15,757,529</u>
<u>266,865</u>	<u>(104,237)</u>	<u>53,017</u>	<u>83,764</u>	<u>519,139</u>
629,706	2,789,921	928,366	938,977	8,085,494
-	-	-	(193,917)	-
<u>629,706</u>	<u>2,789,921</u>	<u>928,366</u>	<u>745,060</u>	<u>8,085,494</u>
<u>\$ 896,571</u>	<u>\$ 2,685,684</u>	<u>\$ 981,383</u>	<u>\$ 828,824</u>	<u>\$ 8,604,633</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, 2011

Net change in fund balances - total governmental funds		\$	519,139
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 (\$ 1,542,847) exceeded capital outlays (\$ 894,557) in the current period.			(648,290)
The net effect of various miscellaneous transactions involving capital assets is to decrease net assets.			
Loss on disposal of capital assets	\$	(387,957)	
Donated capital assets		<u>22,965</u>	(364,992)
Repayment of bond principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net assets.			1,275,000
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		20,875	
Accrued net OPEB obligation		(1,362,010)	
Compensated absences		(23,435)	
Split interest agreements		<u>(9,000)</u>	<u>(1,373,570)</u>
Change in net assets of governmental activities			<u>\$ (592,713)</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, 2011

	Original and Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:			
Ad valorem taxes	\$ 8,909,342	\$ 8,566,196	\$ (343,146)
Delinquent taxes	-	356,601	356,601
Motor vehicle tax	1,122,694	1,100,745	(21,949)
Payments in lieu of taxes	43,707	42,612	(1,095)
	<u>10,075,743</u>	<u>10,066,154</u>	<u>(9,589)</u>
Investment income	5,000	7,713	2,713
Overdue fines and fees	450,000	317,022	(132,978)
Miscellaneous	292,633	365,767	73,134
	<u>10,823,376</u>	<u>10,756,656</u>	<u>(66,720)</u>
Expenditures:			
Library services:			
Contracted - digital services	192,000	130,380	(61,620)
Contracted - facilities	250,000	205,770	(44,230)
Contracted - office equipment	130,000	130,530	530
Contracted - professional	200,000	173,266	(26,734)
Databases	74,000	43,984	(30,016)
Digital services support	120,500	120,239	(261)
Employee assistance program	6,300	6,232	(68)
Furniture/equipment	5,000	6,145	1,145
Insurance	45,000	20,970	(24,030)
Marketing	12,349	10,009	(2,340)
Materials	1,000,000	972,869	(27,131)
Memberships/dues	20,000	20,355	355
Mileage	6,500	5,545	(955)
Miscellaneous	5,000	3,569	(1,431)
Payments to other libraries	60,000	67,239	7,239
Postage/shipping	200,000	79,630	(120,370)
Printing	35,000	35,228	228
Programming	10,000	7,997	(2,003)
Revitalization rebates	75,082	-	(75,082)
	<u>2,446,731</u>	<u>2,039,957</u>	<u>(406,774)</u>
Expenditures - forward	\$ 2,446,731	\$ 2,039,957	\$ (406,774)

(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, 2011

	Original and Final Budget	Actual	Variance with Final Budget Over (Under)
Expenditures - forward	\$ 2,446,731	\$ 2,039,957	\$ (406,774)
Salaries and wages	8,284,666	7,908,663	(376,003)
Staff conferences	26,756	12,086	(14,670)
Staff training	10,000	7,687	(2,313)
Supplies	205,000	157,793	(47,207)
Telecommunications	97,000	97,042	42
Utilities	445,000	365,551	(79,449)
Vehicle fuel and maintenance	75,000	47,705	(27,295)
Contingency	1,200,000	-	(1,200,000)
	<u>\$ 12,790,153</u>	<u>10,636,484</u>	<u>\$ (2,153,669)</u>
Excess of revenues over expenditures		120,172	
Fund balances, beginning of year		2,798,524	
Less encumbrances - beginning of year		(90,473)	
Add encumbrances - end of year		150,887	
Add cancellations of prior year encumbrances		16,979	
GAAP adjustments		3,720	
Fund balance for separately budgeted funds included with the General Fund on GAAP basis financial statements:			
State Aid Fund		-	
Fund balance for non-budgeted funds included with the General Fund on GAAP basis financial statements:			
Undesignated Gifts/Memorials		207,090	
Workshops		1,005	
Adult Programs		236	
Podcamp Topeka		1,224	
Fun Committee		<u>2,807</u>	
Fund balances, end of year		<u>\$ 3,212,171</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, 2011

	Original and Final Budget	Actual	Variance with Final Budget Over (Under)
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Ad valorem taxes	\$ 2,561,476	\$ 2,463,390	\$ (98,086)
Delinquent taxes	-	86,611	86,611
Motor vehicle tax	335,516	325,327	(10,189)
Payments in lieu of taxes	13,063	12,254	(809)
	<u>2,910,055</u>	<u>2,887,582</u>	<u>(22,473)</u>
Miscellaneous	<u>130,000</u>	<u>323,947</u>	<u>193,947</u>
Total revenues	<u>\$ 3,040,055</u>	<u>3,211,529</u>	<u>\$ 171,474</u>
Expenditures:			
Library services	<u>\$ 3,376,767</u>	<u>2,948,581</u>	<u>\$ (428,186)</u>
Excess of revenues over expenditures		262,948	
Fund balances, beginning of year		628,427	
Add encumbrances - end of year		3,124	
GAAP Adjustments		<u>2,072</u>	
Fund balances, end of year		<u>\$ 896,571</u>	

See accompanying notes to basic financial statements.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

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. 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. 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)

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, 2011.

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.

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 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, 2011, fund balances for governmental funds are made up of the following:

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Fund Balances (Continued)

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.

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.

Change in Accounting Principle

In previous years, the State Aid, Undesignated, Workshops, Adult Programs, Podcamp Topeka, and Fun Committee Funds were classified as special revenue funds. With the implementation of GASB Statement No. 54 in 2011, it was determined that these funds no longer qualified as special revenue funds, and these funds were combined with the General Fund. The beginning balances of Other Governmental Funds and the General Fund have been adjusted on the Statement of Revenues, Expenditures, and Changes in Fund Balances for Governmental Funds.

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 2011.

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 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, 2011, 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.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.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was issued in June 2011. The objective of this statement is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. The provisions of this statement are effective for periods beginning after December 15, 2011.

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 AA, B and C 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 \$ 175,871 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 \$ 2,774	<u>\$ 8,055,869</u>
Endowment securities:	
Cash and cash equivalents	9,259
Fixed income mutual funds	65,311
Equity mutual funds	74,631
Hedge funds	1,768
Commodities broad basket mutual fund	13,158
Real estate equity mutual fund	<u>11,744</u>
	<u>175,871</u>
	<u><u>\$ 8,231,740</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, 2011 were as follows:

	Carrying Amount - Fair Value	Cost
Cash and cash equivalents	\$ 343,831	\$ 343,831
Certificates of deposit	687,486	687,486
Mutual funds	1,335,028	1,385,409
Corporate bonds	149,065	149,251
Equities	1,932,787	1,933,167
Investments held in trust at Topeka Community Foundation	<u>235,283</u>	<u>181,824</u>
Total investments	4,683,480	4,680,968
Due to primary government	<u>(247,617)</u>	<u>(249,252)</u>
Total Foundation investments	<u>\$ 4,435,863</u>	<u>\$ 4,431,716</u>

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

Investments:	
Unrestricted	\$ 1,036,549
Temporarily restricted	2,127,744
Permanently restricted	<u>1,519,187</u>
	<u>\$ 4,683,480</u>

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 2011 levy was based was \$ 1,449,390,623. During the year ended December 31, 2011, the Library collected approximately 96% 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 2011 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 2011 is as follows:

	General	Employee Benefit	Debt Service	Total
Ad valorem taxes	\$ 8,566,196	\$ 2,463,390	\$ 1,639,477	\$ 12,669,063
Delinquent taxes	356,601	86,611	50,789	494,001
Motor vehicle tax	1,100,745	325,327	149,656	1,575,728
Payments in lieu of taxes	42,612	12,254	8,155	63,021
	\$ 10,066,154	\$ 2,887,582	\$ 1,848,077	\$ 14,801,813

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 2011 property tax revenues were as follows:

<u>Fund</u>	<u>Levy</u>
General	\$ 6.147
Employee Benefit	1.767
Debt Service	<u>1.176</u>
	<u>\$ 9.090</u>

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 \$ 72,000 at December 31, 2011. 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 \$ 58,000 at December 31, 2011. 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 2011 to the Library were as follows:

Library materials	\$	38,102
Red carpet		4,730
Talking books		2,786
Undesignated gifts		27,097
Youth services		8,729
Hirschberg lecture series		1,526
Hughes business collection		923
Torluemke landscaping		1,248
Sabatini gallery		3,668
Special collections		444
		<hr/>
	\$	89,253
		<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, 2011:

Youth Services	\$	1,940
Bookmobile		525
Children's show		1,216
Adult programs		36
Health Neighborhood		857
Cooking Neighborhood		565
Miscellaneous		6,010
Programming		26,526
		<hr/>
	\$	37,675
		<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 2011 to the Library for salaries and benefits was \$ 132,456.

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 consist of the following at December 31, 2011:

Investment held on behalf of Library (see Note 2)	\$ 247,617
Due for reimbursement of payroll	<u>1,322</u>
	<u>\$ 248,939</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 2011 to the Library for salaries and benefits was \$ 105,547. The amount due from the Friends for salaries and benefits at December 31, 2011 was \$ 12,851.

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 \$ 11,736. The amount due from the Friends for various operating expenses at December 31, 2011 was \$ 819.

The Library makes an annual request of the Friends for a contribution to be used for various Library projects. In 2011, the Friends contributed \$ 95,000 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, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 938,029	\$ -	\$ -	\$ 938,029
Works of art	2,081,228	27,565	-	2,108,793
Work in progress	-	98,683	-	98,683
	<u>3,019,257</u>	<u>126,248</u>	<u>-</u>	<u>3,145,505</u>
Total capital assets not being depreciated				
Capital assets being depreciated:				
Buildings and improvements	28,076,535	-	-	28,076,535
Equipment	4,799,813	11,795	(258,502)	4,553,106
Books and collections	9,700,685	781,129	(1,187,352)	9,294,462
	<u>42,577,033</u>	<u>792,924</u>	<u>(1,445,854)</u>	<u>41,924,103</u>
Total capital assets being depreciated				
Less accumulated depreciation for:				
Buildings and improvements	(7,432,161)	(701,668)	-	(8,133,829)
Equipment	(3,882,952)	(277,485)	254,672	(3,905,765)
Books and collections	(8,329,955)	(563,694)	801,575	(8,092,074)
	<u>(19,645,068)</u>	<u>(1,542,847)</u>	<u>1,056,247</u>	<u>(20,131,668)</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	<u>22,931,965</u>	<u>(749,923)</u>	<u>(389,607)</u>	<u>21,792,435</u>
Capital assets, net	<u>\$ 25,951,222</u>	<u>\$ (623,675)</u>	<u>\$ (389,607)</u>	<u>\$ 24,937,940</u>

Depreciation expense of \$ 1,542,847 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, 2011:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
G.O. Refunding Bonds, Series 2002	\$ 13,335,000	\$ -	\$ 1,275,000	\$ 12,060,000	\$ 1,320,000
Compensated absences	547,870	551,108	527,673	571,305	17,813
Net OPEB obligation	3,553,642	1,457,478	95,468	4,915,652	-
Total long-term debt	<u>\$ 17,436,512</u>	<u>\$ 2,008,586</u>	<u>\$ 1,898,141</u>	<u>\$ 17,546,957</u>	<u>\$ 1,337,813</u>

The General Obligation Refunding Bonds, Series 2002 are due in annual payments graduating from \$ 1,320,000 on September 1, 2012 to \$ 1,720,000 on September 1, 2019. The bonds bear interest at rates ranging from 3.60% - 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, 2011 are as follows:

For the Year Ending December 31,	Principal	Interest	Total
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	1,525,000	270,058	1,795,058
2017-2019	4,965,000	426,488	5,391,488
	<u>\$ 12,060,000</u>	<u>\$ 2,309,945</u>	<u>\$ 14,369,945</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>	
2012	\$ 48,801
2013	40,114
2014	20,308
2015	19,656
2016	<u>11,466</u>
	<u>\$ 140,345</u>

Operating lease expense was approximately \$ 77,000 for the year ended December 31, 2011.

9 - Defined Benefit Pension Plan

Plan Description

The Library participates in 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. K.S.A. 74-49,210 establishes the KPERS member-employee contribution rate at 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, 2011 to December 31, 2011 was 6.74%. The employer insurance contribution rate for the period January 1, 2011 to December 31, 2011 was 1%. The Library's employer contributions to KPERS for the years ending December 31, 2011, 2010 and 2009 were approximately \$ 581,000, \$ 526,000 and \$ 452,000, 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 financial 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 2011, retired plan members receiving benefits contributed \$ 76,060 to the plan and the Library contributed \$ 95,468.

Annual OPEB Cost and Net OPEB Obligation

The Library's annual OPEB (other post employment benefit) 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	142,146
Adjustment to the ARC	<u>(175,399)</u>
Annual OPEB cost (expense)	1,457,478
Contributions made	<u>(95,468)</u>
Increase in net OPEB obligation	1,362,010
Net OPEB obligation, January 1, 2011	<u>3,553,642</u>
Net OPEB obligation, December 31, 2011	<u><u>\$ 4,915,652</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
2011	\$ 1,457,478	\$ 95,468	6.6%	\$ 4,915,652
2010	1,470,609	67,362	4.6%	3,553,642
2009	1,122,583	61,762	5.5%	2,150,395

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 financial 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.

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 executor 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, 2011, the Library's recorded encumbrances in governmental funds were as follows:

General	\$	150,960
Employee Benefit		3,124
Capital Improvement		220,971
Other nonmajor governmental funds		<u>7,623</u>
	\$	<u><u>382,678</u></u>

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 -
GENERAL FUND

December 31, 2011

	<u>General</u>	<u>State Aid</u>	<u>Undesignated Gifts/ Memorials</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,845,456	\$ -	\$ 207,090
Receivables:			
Taxes and assessments	9,639,117	-	-
Other	71,271	-	-
Prepaid items	201,914	-	-
Due from component unit	1,322	-	-
Due from related party	11,598	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 12,770,678</u>	<u>\$ -</u>	<u>\$ 207,090</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Accrued payroll	\$ 131,752	\$ -	\$ -
Deferred revenue	9,639,117	-	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>9,770,869</u>	<u>-</u>	<u>-</u>
Fund balances:			
Nonspendable:			
Not in spendable form	201,914	-	-
Restricted:			
Specific library programs	-	-	-
Assigned	150,887	-	45
Unassigned	2,647,008	-	207,045
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>2,999,809</u>	<u>-</u>	<u>207,090</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 12,770,678</u>	<u>\$ -</u>	<u>\$ 207,090</u>

<u>Workshops</u>	<u>Adult Programs</u>	<u>Podcamp Topeka</u>	<u>Fun Committee</u>	<u>Total General Fund</u>
\$ 1,005	\$ 236	\$ 1,224	\$ 2,807	\$ 3,057,818
-	-	-	-	9,639,117
-	-	-	-	71,271
-	-	-	-	201,914
-	-	-	-	1,322
-	-	-	-	11,598
<u>\$ 1,005</u>	<u>\$ 236</u>	<u>\$ 1,224</u>	<u>\$ 2,807</u>	<u>\$ 12,983,040</u>
\$ -	\$ -	\$ -	\$ -	\$ 131,752
-	-	-	-	9,639,117
-	-	-	-	9,770,869
-	-	-	-	201,914
-	36	-	-	36
-	-	-	28	150,960
<u>1,005</u>	<u>200</u>	<u>1,224</u>	<u>2,779</u>	<u>2,859,261</u>
<u>1,005</u>	<u>236</u>	<u>1,224</u>	<u>2,807</u>	<u>3,212,171</u>
<u>\$ 1,005</u>	<u>\$ 236</u>	<u>\$ 1,224</u>	<u>\$ 2,807</u>	<u>\$ 12,983,040</u>

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

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

December 31, 2011

	<u>General</u>	<u>State Aid</u>	<u>Undesignated Gifts/ Memorials</u>
Revenues:			
Taxes and assessments	\$ 10,066,154	\$ -	\$ -
Contributions	-	-	308
Investment income	7,713	-	8,493
Overdue fines and fees	317,815	-	-
Miscellaneous	367,720	84,459	-
Receipts from component unit	-	-	31,757
	<u>10,759,402</u>	<u>84,459</u>	<u>40,558</u>
Total revenues			
Expenditures:			
Library services	9,854,115	2,397	16,686
Capital outlay	704,002	85,036	-
	<u>10,558,117</u>	<u>87,433</u>	<u>16,686</u>
Total expenditures			
Net change in fund balances	201,285	(2,974)	23,872
Fund balances, beginning of year	<u>2,798,524</u>	<u>2,974</u>	<u>183,218</u>
Fund balances, end of year	<u><u>\$ 2,999,809</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 207,090</u></u>

<u>Workshops</u>	<u>Adult Programs</u>	<u>Podcamp Topeka</u>	<u>Fun Committee</u>	<u>Total General Fund</u>
\$ -	\$ -	\$ -	\$ -	10,066,154
1,906	-	1,991	-	4,205
-	-	-	-	16,206
-	-	-	-	317,815
6,255	200	50	4,389	463,073
-	36	-	-	31,793
<u>8,161</u>	<u>236</u>	<u>2,041</u>	<u>4,389</u>	<u>10,899,246</u>
10,500	-	1,676	5,104	9,890,478
-	-	-	-	789,038
<u>10,500</u>	<u>-</u>	<u>1,676</u>	<u>5,104</u>	<u>10,679,516</u>
(2,339)	236	365	(715)	219,730
3,344	-	859	3,522	2,992,441
<u>\$ 1,005</u>	<u>\$ 236</u>	<u>\$ 1,224</u>	<u>\$ 2,807</u>	<u>\$ 3,212,171</u>

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS

December 31, 2011

	<u>Grants</u>	<u>Other Special Revenue</u>	<u>Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 31,196	\$ 405,289	\$ -	\$ 436,485
Due from component unit	-	1,996	245,621	247,617
Endowment securities	-	-	175,871	175,871
Total assets	<u>\$ 31,196</u>	<u>\$ 407,285</u>	<u>\$ 421,492</u>	<u>\$ 859,973</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Deferred revenue	<u>\$ 31,149</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,149</u>
Fund balances:				
Nonspendable:				
Legally or contractually required to be maintained intact	-	-	421,492	421,492
Restricted:				
Specific library programs	47	398,924	-	398,971
Assigned	<u>-</u>	<u>8,361</u>	<u>-</u>	<u>8,361</u>
Total fund balances	<u>47</u>	<u>407,285</u>	<u>421,492</u>	<u>828,824</u>
Total liabilities and fund balances	<u>\$ 31,196</u>	<u>\$ 407,285</u>	<u>\$ 421,492</u>	<u>\$ 859,973</u>

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

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

Year Ended December 31, 2011

	State Aid	Grants	Other Special Revenue	Permanent Funds	Total Nonmajor Governmental Funds
Revenues:					
Intergovernmental revenues	\$ -	\$ 122,697	\$ -	\$ -	\$ 122,697
Contributions	-	-	105,257	-	105,257
Investment income (loss)	-	-	5,253	(18,583)	(13,330)
Miscellaneous	-	-	2,608	-	2,608
Receipts from component unit	-	-	95,136	-	95,136
Total revenues	-	122,697	208,254	(18,583)	312,368
Expenditures:					
Library services	-	123,238	98,530	-	221,768
Capital outlay	-	-	6,836	-	6,836
Total expenditures	-	123,238	105,366	-	228,604
Net change in fund balances	-	(541)	102,888	(18,583)	83,764
Fund balances, beginning of year, as previously reported	2,974	588	495,340	440,075	938,977
Change in accounting principle	(2,974)	-	(190,943)	-	(193,917)
Fund balances, beginning of year, as restated	-	588	304,397	440,075	745,060
Fund balances, end of year	\$ -	\$ 47	\$ 407,285	\$ 421,492	\$ 828,824

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, 2011

	Original and Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:			
Taxes and assessments:			
Ad valorem taxes	\$ 1,704,531	\$ 1,639,477	\$ (65,054)
Delinquent taxes	-	50,789	50,789
Motor vehicle tax	152,047	149,656	(2,391)
Payments in lieu of taxes	5,923	8,155	2,232
	<u>1,862,501</u>	<u>1,848,077</u>	<u>(14,424)</u>
Investment income	<u>1,500</u>	<u>1,653</u>	<u>153</u>
Total revenues	<u>\$ 1,864,001</u>	<u>1,849,730</u>	<u>\$ (14,271)</u>
Expenditures:			
Bond principal payment	\$ 1,275,000	1,275,000	\$ -
Interest and fiscal charges	521,698	521,713	15
Neighborhood revitalization rebate	14,365	-	(14,365)
Reserve	1,000,000	-	(1,000,000)
Total expenditures	<u>\$ 2,811,063</u>	<u>1,796,713</u>	<u>\$ (1,014,350)</u>
Excess of revenues over expenditures		53,017	
Fund balances, beginning of year		<u>928,366</u>	
Fund balances, end of year		<u>\$ 981,383</u>	

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

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

State Aid Fund

Year Ended December 31, 2011

	Original and Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:			
Intergovernmental revenues	\$ 100,000	\$ 84,459	\$ (15,541)
Expenditures:			
Library materials	\$ 100,000	85,036	\$ (14,964)
Deficiency of revenues under expenditures		(577)	
Fund balances, beginning of year		2,974	
Less encumbrances - beginning of year		(2,397)	
Fund balances, end of year		\$ -	



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

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 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, 2011, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated April 9, 2012. 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

Management of the Library is responsible for establishing and maintaining effective 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 opinion 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.

BERBERICH TRAHAN & CO., P.A. 3630 SW Burlingame Rd., Topeka, KS 66611-2050 t 785-234-3427 toll-free 800-530-5526 f 785-233-1768 brandcocpa.com

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, others within the entity and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Berberich Trahan & Co., P.A.

April 9, 2012

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

SCHEDULE OF FINDINGS AND RESPONSES

December 31, 2011

There were no audit findings in the current year.

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

December 31, 2011

None.