

CENTRAL KANSAS LIBRARY SYSTEM

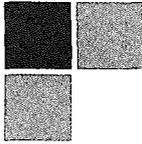
Financial Statements With Independent Auditors' Report

For the Year Ended December 31, 2011

CENTRAL KANSAS LIBRARY SYSTEM
Financial Statements With Independent Auditors' Report
For the Year Ended December 31, 2011

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Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Central Kansas Library System
Great Bend, Kansas

We have audited the accompanying financial statements of **Central Kansas Library System**, as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of **Central Kansas Library System'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 *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.

As described more fully in Note 1, **Central Kansas Library System** has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, whose practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of **Central Kansas Library System**, as of December 31, 2011, or the changes in financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of **Central Kansas Library System**, as of December 31, 2011, and their respective cash receipts and disbursements and budgetary results for the year then ended, on the basis of accounting described in Note 1.

Adams, Brown, Beran & Ball, Chtd.

ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

August 01, 2012

CENTRAL KANSAS LIBRARY SYSTEM
 Summary of Cash Receipts, Expenditures, and Unencumbered Cash
 For the Year Ended December 31, 2011

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Fund Categories							
General Fund							
General Fund	\$ 353,648	-	1,634,856	1,849,788	138,716	14,147	152,863
Special Revenue Funds							
State Resource Grant Fund	-	-	83,203	83,203	-	-	-
Kansas Talking Books Service Grant Fund	29,346	-	26,500	37,557	18,289	-	18,289
Dane G. Hansen Grant Fund	10,000	-	-	10,000	-	-	-
Pathfinder Central ILS Grant Fund	7,238	-	-	7,238	-	-	-
Gates Broadband Grant Fund	-	-	10,000	-	10,000	-	10,000
Fiduciary Fund Category							
Private Purpose Trust Fund							
Processing Center Fund	4,781	-	14,874	14,684	4,971	2,136	7,107
Total Reporting Entity	\$ 405,013	-	1,769,433	2,002,470	171,976	16,283	188,259
Composition of Cash							
						Savings Accounts	\$ 103,208
						Checking Accounts	84,351
						Petty Cash	700
						Total Reporting Entity	\$ 188,259

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

CENTRAL KANSAS LIBRARY SYSTEM
 Summary of Expenditures - Actual and Budget
 For the Year Ended December 31, 2011

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
Governmental Fund Categories					
General Fund					
General Fund	\$ 1,881,903	-	1,881,903	1,849,788	(32,115)
Special Revenue Funds					
State Resource Grant Fund	70,142	13,203	83,345	83,203	(142)
Kansas Talking Books Service Grant Fund	92,600	-	92,600	37,557	(55,043)
Fiduciary Fund Category					
Private Purpose Trust Fund					
Processing Center Fund	53,083	-	53,083	14,684	(38,399)

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

CENTRAL KANSAS LIBRARY SYSTEM
General Fund

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenues				
Current Property Tax	\$ 1,672,748	1,387,659	1,423,196	(35,537)
Delinquent Tax	15,197	36,361	-	36,361
Motor Vehicle Tax	88,552	124,040	143,007	(18,967)
Jordan Library Contract	6,525	7,900	9,200	(1,300)
Other Contract Income	-	-	1,500	(1,500)
Miscellaneous Income	3,298	10,918	5,000	5,918
Interest	3,737	2,184	6,500	(4,316)
Donations	498	30	3,000	(2,970)
KOHA and Other Reimbursements	8,663	7,905	-	7,905
Telephone Maintenance Reimbursements and Internet	3,684	2,280	9,500	(7,220)
E-Rate Reimbursements	5,779	7,743	6,000	1,743
Shared Salary Reimbursements	88,997	47,836	-	47,836
Total Cash Receipts	1,897,678	1,634,856	1,606,903	27,953
Expenditures				
Personnel	720,391	772,820	820,075	(47,255)
Central Administration	401,155	463,616	387,476	76,140
Continuing Education	14,020	15,196	20,000	(4,804)
Children's Services	7,129	5,350	6,661	(1,311)
Public Information	11,375	2,515	5,500	(2,985)
Automation	18,578	11,464	14,700	(3,236)
Books by Mail	5,528	4,822	3,000	1,822
Rotating Books	65,202	56,431	59,118	(2,687)
Reference	22,991	22,065	25,700	(3,635)
Pathfinder Central ILS	15,503	37,039	60,900	(23,861)
Interlibrary Loan	7,462	5,043	31,925	(26,882)
Technical Services	80,802	74,376	94,882	(20,506)
Kansas Talking Books January thru September	12,925	12,087	24,725	(12,638)
Kansas Talking Books October thru December	1,122	2,671	8,241	(5,570)
Grants	345,117	364,293	319,000	45,293
Total Expenditures	1,729,300	1,849,788	1,881,903	(32,115)
Cash Receipts Over (Under) Expenditures	168,378	(214,932)		
Unencumbered Cash - Beginning	185,270	353,648		
Unencumbered Cash - Ending	\$ 353,648	138,716		

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

CENTRAL KANSAS LIBRARY SYSTEM
State Resource Grant Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
State Aid	\$ 92,449	83,203	70,000	13,203
Expenditures				
Salaries	92,591	83,203	65,000	18,203
Books, Materials and Audiovisual	-	-	5,142	(5,142)
(a) Adjustment for Qualifying Budget Credits	-	-	13,203	(13,203)
Total Expenditures	92,591	83,203	83,345	(142)
Cash Receipts Over (Under) Expenditures	(142)	-		
Unencumbered Cash - Beginning	142	-		
Unencumbered Cash - Ending	\$ -	-		
(a) Adjustment for Qualifying Budget Credits				
State Aid Over Amount Budgeted			\$ 13,203	

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

CENTRAL KANSAS LIBRARY SYSTEM
Kansas Talking Books Service Grant Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
State and Federal Aid				
12-LSTA-3-B	\$ -	26,500	-	-
11-LSTA-3-B	46,231	-	-	-
10-LSTA-3-B	16,048	-	-	-
Total Cash Receipts	62,279	26,500	63,458	(36,958)
Expenditures				
Salaries	67,198	37,557	92,600	(55,043)
Cash Receipts Over (Under) Expenditures	(4,919)	(11,057)		
Unencumbered Cash - Beginning	34,265	29,346		
Unencumbered Cash - Ending	\$ 29,346	18,289		

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

CENTRAL KANSAS LIBRARY SYSTEM
Dane G. Hansen Grant Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Grant Revenue	\$ 10,000	-
Expenditures		
Computer Equipment	-	10,000
Cash Receipts Over (Under) Expenditures	10,000	(10,000)
Unencumbered Cash - Beginning	-	10,000
Unencumbered Cash - Ending	\$ 10,000	-

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

CENTRAL KANSAS LIBRARY SYSTEM
Pathfinder Central ILS Grant Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Aid	\$ 25,473	-
Expenditures		
Professional Services	5,696	3,063
Equipment, Maintenance and Remodeling	12,539	4,175
Total Expenditures	18,235	7,238
Cash Receipts Over (Under) Expenditures	7,238	(7,238)
Unencumbered Cash - Beginning	-	7,238
Unencumbered Cash - Ending	\$ 7,238	-

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

CENTRAL KANSAS LIBRARY SYSTEM
Gates Broadband Grant Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
State Aid	\$ -	10,000
Expenditures	-	-
Cash Receipts Over (Under) Expenditures	-	10,000
Unencumbered Cash - Beginning	-	-
Unencumbered Cash - Ending	\$ -	10,000

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

CENTRAL KANSAS LIBRARY SYSTEM
Processing Center Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Reimbursements	\$ 21,601	14,873	50,000	(35,127)
Interest	2	1	-	1
Total Cash Receipts	21,603	14,874	<u>50,000</u>	<u>(35,126)</u>
Expenditures				
Books, Materials and Audiovisual	19,905	14,684	<u>53,083</u>	<u>(38,399)</u>
Cash Receipts Over (Under) Expenditures	1,698	190		
Unencumbered Cash - Beginning	<u>3,083</u>	<u>4,781</u>		
Unencumbered Cash - Ending	\$ <u>4,781</u>	<u>4,971</u>		

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

CENTRAL KANSAS LIBRARY SYSTEM

Notes to Financial Statements

December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Central Kansas Library System has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

Reporting Entity

The Library System is a municipal corporation governed by a board whose members are appointed by the Governor of the State of Kansas. The financial statements of the Library System consist of all the funds of the Library System that are considered to be controlled by or dependent on the Library System. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board. The Library System has no component units.

Use of Estimates

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the reported amount of unencumbered cash balances and accounts payable during the reporting period. Actual results could differ from these estimates.

Basis of Presentation – Fund Accounting

The accounts of the Library System are organized and operated on the basis of funds. In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following categories of funds comprise the financial activities of the Library System for the year ended December 31, 2011.

Governmental Fund Categories

General Fund – to account for all financial resources except those required to be reported in another fund.

Special Revenue Funds – to account for the proceeds of specific revenue sources that are legally restricted to expenditure for a specified purpose.

Fiduciary Fund Category

Private Purpose Trust Fund – to account for assets held by the Library System as trustee or agent for others. The principal and income of these funds may be expended in the course of the fund's designated operations.

Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's

CENTRAL KANSAS LIBRARY SYSTEM

Notes to Financial Statements

December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The Library System has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Library System to use the statutory basis of accounting.

Departure From Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the Library System are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget.

- a. Preparation of the budget for the succeeding calendar year on or before August 1st.
- b. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
- c. Public hearing on or before August 15th, but at least 10 days after publication of notice of hearing.
- d. 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 10 days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year. There was one budget amendment for this year for the General Fund.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

CENTRAL KANSAS LIBRARY SYSTEM

Notes to Financial Statements

December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the Library System for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds, fiduciary funds, permanent funds, and the following special revenue funds: Dane G. Hansen Grant Fund, Pathfinder Central ILS Grant Fund and Gates Broadband Grant Fund.

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

Deposits and Investments

The Library System follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund category in the summary of cash receipts, expenditures, and unencumbered cash.

K.S.A. 9-1401 establishes the depositories which may be used by the Library System. The statute requires banks eligible to hold the Library System's funds have a main or branch bank in the county in which the Library System is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Library System has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Library System's investments of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Library System has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the Library System may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 9-1405.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Library System's deposits may not be returned to it. State statutes require the Library System's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Library System does not use "peak periods". All deposits were legally secured at December 31, 2011.

At December 31, 2011, the Library System's carrying amount of deposits was \$188,259 and the bank balance was \$255,974. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$253,876 was covered by federal depository insurance and \$2,098 was collateralized with securities held by pledging financial institutions' agents in the Library System's name.

CENTRAL KANSAS LIBRARY SYSTEM

Notes to Financial Statements

December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Library System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The Library System had no investments at December 31, 2011.

Compensated Absences

Vacation

The Library System's policy regarding vacation is as follows:

Director - will accrue 22 days the first year and 22 days annually thereafter.

Administration and Professional Staff

15 days - 1 year of service

22 days - After the 1st year of service

Supervisory Personnel

10 days - 1 year of service

15 days - 1 to 10 years of service

20 days - 10 years or more of service

Support Staff

5 days - 1 year of service

10 days - 1 to 10 years of service

15 days - 10 years or more of service

Part-time regular employees accrue a proportionate allowance based on the full-time allowance for their position. Part-time hourly employees accrue no vacation time. Only upon the approval by the Director may vacation time be carried over into the next year.

Sick Leave

Full-time employees shall earn and accrue sick leave at the rate of 1 day per month, up to a maximum of 100 days, which is forfeited upon termination of the employee. Part-time regular employees are allowed to accrue proportionate sick leave based on number of hours worked in relation to a full-time position.

Included in the accumulated sick leave balance is an amount of the Library System's sick leave pool. The purpose of the sick leave pool is to allow staff members to contribute unused sick leave to a pool and allow participating members, who would otherwise have their pay reduced, draw from the pool and avoid having their pay reduced. The number of sick leave days that can be drawn from the pool by one individual in any one year is limited to 20 percent of the days in the pool or one month, whichever ever is greater. The number of sick leave days that can be drawn by all individuals is limited to the total days in the pool.

Bank-Time

Bank-time is an opportunity for non-exempt employees to work more than 40 hours in a regular workweek and be compensated for the extra time as time off at a later date. They are granted bank-time at the rate of time-and-one-half for every hour worked. Part-time employees may participate in bank-time, but they

CENTRAL KANSAS LIBRARY SYSTEM

Notes to Financial Statements

December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

may not earn bank-time at a rate of time and a half until they have worked more than 40 hours in a regular workweek. Employees who resign are encouraged to use all accumulated bank-time before the last day of work.

A potential liability for accumulated vacation, sick leave and bank-time is shown on the schedule of long-term debt.

Defined Benefit Pension Plan

Plan Description

The Library System contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* 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. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100; Topeka, KS 66603-3869) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% and 6% (if hired on or after July 1, 2009) of covered salary. 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 rate 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 for calendar year 2011 was 7.74%. The Library System's employer contributions to KPERS for the years ending December 31, 2011, 2010 and 2009 were \$47,732, \$45,232, and \$32,642, respectively, equal to the required contributions for each year as set forth by the legislature.

Other Post Employment Benefits

As provided by K.S.A. 12-5040, the Library System allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the Library System is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Library System makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the Library System under this program.

Property Tax Calendar

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half by May 10th. Major tax distributions are made in the months of December through July. Lien dates for personal property are in March and August and lien dates for real property are in September. Taxes are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received.

CENTRAL KANSAS LIBRARY SYSTEM

Notes to Financial Statements

December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Assets

Restricted cash balances are reported in various funds that are legally restricted for specified uses such as the payment of debt service and fiscal fees on long-term debt and for expenditures approved in federal and state grant contracts. Also, donations received by the Library System that are designated for the low vision program are restricted for low vision expenditures. The amount that was restricted at December 31, 2011 was \$1,681 and was included in the general fund's unencumbered cash.

Reimbursements

The Library System records reimbursable expenditures (or expenses) in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparison, the expenditures (or expenses) are properly offset by the reimbursements.

NOTE 2 – PROCESSING CENTER FUND

The Processing Center Fund serves as a clearing account through which various member libraries within the system order books.

NOTE 3 – LITIGATION

Central Kansas Library System is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the Library System.

NOTE 4 – RISK MANAGEMENT

Central Kansas Library System carries commercial insurance for risks of loss, including property, general liability, inland marine, workers' compensation, automobile, and umbrella. The Library System has elected to obtain comprehensive and collision coverage on all Library System owned motor vehicles. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 5 – GRANTS AND SHARED REVENUES

Central Kansas Library System participates in numerous state and federal grant programs, which are governed by various rules and regulations for the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Library System has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the Library System, any liability for reimbursement, which may arise as the result of the audit, is not believed to be material.

NOTE 6 – COMPARATIVE DATA

Comparative data for the prior year has been presented in Statement 3 in the accompanying financial statements in order to provide an understanding of changes in **Central Kansas Library System's** cash and unencumbered cash balances. However, complete comparative data (presentation of prior year totals in Statement 1) has not been presented since their inclusion would make the statement unduly complex and difficult to read.

CENTRAL KANSAS LIBRARY SYSTEM

Notes to Financial Statements

December 31, 2011

NOTE 7 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Central Kansas Library System violated K.S.A. 44-1030 by entering into a contract that did not have the mandatory nondiscrimination clause in the contract. K.S.A. 44-1030 requires contracts for the construction, alteration, or repair of any public building or public work, or for the acquisition of materials, equipment, supplies, or service comply with the mandatory nondiscrimination clause.

NOTE 8 – OPERATING LEASES

Central Kansas Library System currently renewed an operating lease for one mail machine to be used within the Library System. The monthly rental payments are \$236. Payments for the year ended December 31, 2011 totaled \$2,832.

Future minimum lease payments for the years ended December 31 are as follows:

2012	\$ 2,832
2013	2,832
2014	2,832
2015	<u>708</u>
Total	<u>\$ 9,204</u>

NOTE 9 – LONG-TERM DEBT

Changes in long-term debt for the Library System for the year ended December 31, 2011, were as follows:

	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Net Change</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
Compensated Absences	N/A	N/A	N/A	N/A	\$107,457			20,207	127,664	N/A