

SALINA PUBLIC LIBRARY

Salina, Kansas

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITORS' REPORT

December 31, 2011 and 2010

SALINA PUBLIC LIBRARY
 Salina, Kansas
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 For the Years Ended December 31, 2011 and 2010

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February 7, 2012

Board of Trustees
Salina Public Library
Salina, Kansas

Independent Auditors' Report

We have audited the accompanying statutory basis financial statements of Salina Public Library (the Library) as of and for the years ended December 31, 2011 and 2010, as listed in the table of contents. These statutory basis financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these statutory basis financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit Guide* and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 our audit provides a reasonable basis for our opinion.

As described in Note 1, the Library prepared these statutory basis financial statements on a prescribed basis of accounting that demonstrates compliance with 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 differences between the regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1.

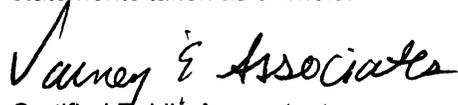
In our opinion, because of the Library's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the statutory basis financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2011 and 2010, or results of its operations for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the Library as of December 31, 2011 and 2010 and its cash receipts and expenditures it paid for the years then ended on the basis of accounting described in Note 1.

February 7, 2012
Salina Public Library
(Continued)

In accordance with *Government Auditing Standards*, we have also issued a report dated February 7, 2012 on our consideration of the Library's internal control over financial reporting and our test 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 the 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 conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The additional information schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Library. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.


Certified Public Accountants
Manhattan, Kansas

SALINA PUBLIC LIBRARY
 Salina, Kansas
SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
 For the Year Ended December 31, 2011

Fund	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
	\$	\$	\$	\$	\$	\$
General Fund	247,177	2,059,638	2,088,249	218,566	-	218,566
Special Revenue Funds						
Employee Benefits Fund	96,731	327,217	363,186	60,762	2,299	63,061
Central Kansas Library System Fund	1,337	30,224	30,297	1,264	-	1,264
Central Kansas Library System Processing Fund	11,658	17,500	11,982	17,176	-	17,176
State Aid Fund	1,147	22,694	22,694	1,147	-	1,147
Interlibrary Loan Development Program Fund	1,584	-	1,401	183	-	183
Class	11,617	39,914	41,707	9,824	-	9,824
Capital Projects Funds						
Fines and Miscellaneous Fund	115,845	59,183	38,339	136,689	-	136,689
Capital Improvements Fund	406,392	116,000	62,869	459,523	-	459,523
Fiduciary Funds						
Expendable Memorial	46,875	1,453	-	48,328	-	48,328
Non-expendable Memorial	5,000	50	50	5,000	-	5,000
Greater Salina Community Foundation	50,123	-	718	49,405	-	49,405
Totals (Memorandum Only)	<u>995,486</u>	<u>2,673,873</u>	<u>2,661,492</u>	<u>1,007,867</u>	<u>2,299</u>	<u>1,010,166</u>

Composition of Ending Cash and Investment Balance

Demand and savings deposits	\$ 907,433
Time deposits	5,000
Ending Cash	<u>\$ 912,433</u>
Foundation	\$ 49,405
Mutual funds	48,328
Ending Investments	<u>\$ 97,733</u>
Total Cash and Investments	<u>\$ 1,010,166</u>

STATEMENT 1

The accompanying notes are an integral part of these financial statements.
 See Independent Auditors' Report.

Financial Statements

SALINA PUBLIC LIBRARY
 Salina, Kansas
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
 (Budgeted Funds Only)
 For the Year Ended December 31, 2011

STATEMENT 2

	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Favorable (Unfavorable)</u>
General Fund	<u>\$ 2,224,761</u>	<u>\$ 2,088,249</u>	<u>\$ 136,512</u>
Special Revenue Funds			
Employee Benefits Fund	<u>\$ 402,477</u>	<u>\$ 363,186</u>	<u>\$ 39,291</u>

Financial Statements

SALINA PUBLIC LIBRARY

STATEMENT 3

Salina, Kansas

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the Year Ended December 31, 2011

GENERAL FUND

	<u>Actual</u>	<u>Budget</u>	<u>Variance - Favorable (Unfavorable)</u>
CASH RECEIPTS			
General property taxes			
Saline County	\$ 2,058,167	\$ 2,029,368	\$ 28,799
Interest	1,053	1,500	(447)
Other	418	-	418
Total Cash Receipts	<u>\$ 2,059,638</u>	<u>\$ 2,030,868</u>	<u>\$ 28,770</u>
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET			
Salaries - All	\$ 1,358,332	\$ 1,437,761	\$ 79,429
Library materials - Books	129,783	150,000	20,217
Library materials - Non-print	90,806	106,000	15,194
Library materials - Information technology	21,266	28,000	6,734
Periodicals - Reference	25,035	28,000	2,965
Staff development and travel	11,471	15,000	3,529
Water	8,639	6,000	(2,639)
Light and heat	99,124	100,000	876
Equipment and improvements	7,690	6,000	(1,690)
Telephone	5,498	6,000	502
Repairs and maintenance	50,957	42,000	(8,957)
Office and library supplies	11,119	16,000	4,881
Public relations	34,972	31,000	(3,972)
Accounting	5,472	6,000	528
Insurance	19,450	19,000	(450)
Automation	76,082	71,000	(5,082)
Postage	3,845	12,000	8,155
Contingency	12,708	25,000	12,292
Transfer to Capital Improvements Fund	116,000	120,000	4,000
Total Expenditures and Transfers Subject to Budget	<u>\$ 2,088,249</u>	<u>\$ 2,224,761</u>	<u>\$ 136,512</u>
RECEIPTS OVER (UNDER) EXPENDITURES	\$ (28,611)	\$ (193,893)	\$ 165,282
UNENCUMBERED CASH AND INVESTMENT BALANCE - BEGINNING OF YEAR	<u>247,177</u>	<u>193,893</u>	<u>53,284</u>
UNENCUMBERED CASH AND INVESTMENT BALANCE - END OF YEAR	<u>\$ 218,566</u>	<u>\$ -</u>	<u>\$ 218,566</u>

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SALINA PUBLIC LIBRARY

STATEMENT 3

Salina, Kansas

STATEMENT OF CASH RECEIPTS AND EXPENDITURES (CONTINUED) - ACTUAL AND BUDGET

For the Year Ended December 31, 2011

**SPECIAL REVENUE FUNDS
EMPLOYEE BENEFIT FUND**

	<u>Actual</u>	<u>Budget</u>	<u>Variance - Favorable (Unfavorable)</u>
CASH RECEIPTS			
General property taxes			
Saline County	\$ 327,217	\$ 320,621	\$ 4,059
EXPENDITURES SUBJECT TO BUDGET			
Social security taxes	\$ 91,152	\$ 109,979	\$ 18,827
Kansas Public Employees' Retirement System	85,555	92,000	6,445
Unemployment insurance	1,200	1,437	237
Health insurance	178,828	191,861	13,033
Workers' compensation insurance	6,451	7,200	749
Total Expenditures Subject to Budget	<u>\$ 363,186</u>	<u>\$ 402,477</u>	<u>\$ 39,291</u>
RECEIPTS OVER (UNDER) EXPENDITURES	\$ (35,969)	\$ (81,856)	\$ 43,350
UNENCUMBERED CASH AND INVESTMENT BALANCE - BEGINNING OF YEAR	<u>96,731</u>	<u>81,856</u>	<u>14,875</u>
UNENCUMBERED CASH AND INVESTMENT BALANCE - END OF YEAR	<u>\$ 60,762</u>	<u>\$ -</u>	<u>\$ 58,225</u>

Financial Statements

SALINA PUBLIC LIBRARY

STATEMENT 3

Salina, Kansas

STATEMENTS OF CASH RECEIPTS AND EXPENDITURES (CONTINUED) - ACTUAL

For the Years Ended December 31,

**SPECIAL REVENUE FUNDS
CENTRAL KANSAS LIBRARY SYSTEM FUND**

	<u>2011</u>	<u>2010</u>
CASH RECEIPTS		
Central Kansas Library System Grant	\$ 30,224	\$ 29,924
Transfers in	-	1,700
Total Cash Receipts	<u>\$ 30,224</u>	<u>\$ 31,624</u>
EXPENDITURES		
Interlibrary loan equipment, copying, and other	\$ 11,904	\$ 13,825
Binding	183	-
Internet	83	96
Postage	1,297	850
Miscellaneous	16,830	16,053
Total Expenditures	<u>\$ 30,297</u>	<u>\$ 30,824</u>
RECEIPTS OVER (UNDER) EXPENDITURES	\$ (73)	\$ 800
UNENCUMBERED CASH AND INVESTMENT BALANCE - BEGINNING OF YEAR	<u>1,337</u>	<u>537</u>
UNENCUMBERED CASH AND INVESTMENT BALANCE - END OF YEAR	<u>\$ 1,264</u>	<u>\$ 1,337</u>

Financial Statements

SALINA PUBLIC LIBRARY

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Salina, Kansas

STATEMENTS OF CASH RECEIPTS AND EXPENDITURES (CONTINUED) - ACTUAL

For the Years Ended December 31,

**SPECIAL REVENUE FUNDS
CENTRAL KANSAS LIBRARY SYSTEM PROCESSING FUND**

	<u>2011</u>	<u>2010</u>
CASH RECEIPTS		
Central Kansas Library System Grant	\$ 17,500	\$ 22,500
Transfers in	-	400
Total Cash Receipts	<u>\$ 17,500</u>	<u>\$ 22,900</u>
EXPENDITURES		
Processing supplies	\$ 5,770	\$ 5,835
Processing fees and catalog reference material	4,268	3,936
Miscellaneous	1,944	-
Total Expenditures	<u>\$ 11,982</u>	<u>\$ 9,771</u>
RECEIPTS OVER (UNDER) EXPENDITURES	\$ 5,518	\$ 13,129
UNENCUMBERED CASH AND INVESTMENT BALANCE - BEGINNING OF YEAR	<u>11,658</u>	<u>(1,471)</u>
UNENCUMBERED CASH AND INVESTMENT BALANCE - END OF YEAR	<u><u>\$ 17,176</u></u>	<u><u>\$ 11,658</u></u>

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STATEMENTS OF CASH RECEIPTS AND EXPENDITURES (CONTINUED) - ACTUAL

For the Years Ended December 31,

**SPECIAL REVENUE FUNDS
STATE AID FUND**

	<u>2011</u>	<u>2010</u>
CASH RECEIPTS		
State grant-in-aid	\$ 22,694	\$ 26,108
EXPENDITURES		
Library materials	\$ 1,438	\$ 1,272
Supplies	4,510	5,736
Equipment, furniture, and software	1,030	9,592
Outreach services	5,800	5,800
Miscellaneous	9,916	3,700
Total Expenditures	<u>\$ 22,694</u>	<u>\$ 26,100</u>
RECEIPTS OVER (UNDER) EXPENDITURES	\$ -	\$ 8
UNENCUMBERED CASH AND INVESTMENT BALANCE - BEGINNING OF YEAR	<u>1,147</u>	<u>1,139</u>
UNENCUMBERED CASH AND INVESTMENT BALANCE - END OF YEAR	<u><u>\$ 1,147</u></u>	<u><u>\$ 1,147</u></u>

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SALINA PUBLIC LIBRARY

Salina, Kansas

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STATEMENTS OF CASH RECEIPTS AND EXPENDITURES (CONTINUED) - ACTUAL

For the Years Ended December 31,

**SPECIAL REVENUE FUNDS
INTERLIBRARY LOAN DEVELOPMENT PROGRAM FUND**

	<u>2011</u>	<u>2010</u>
CASH RECEIPTS		
Interlibrary loan development grant	\$ -	\$ -
EXPENDITURES		
Library materials	\$ 1,401	\$ 9,566
RECEIPTS OVER (UNDER) EXPENDITURES	\$ (1,401)	\$ (9,566)
UNENCUMBERED CASH AND INVESTMENT BALANCE - BEGINNING OF YEAR	<u>1,584</u>	<u>11,150</u>
UNENCUMBERED CASH AND INVESTMENT BALANCE - END OF YEAR	<u>\$ 183</u>	<u>\$ 1,584</u>

Financial Statements

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Salina, Kansas

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STATEMENTS OF CASH RECEIPTS AND EXPENDITURES (CONTINUED) - ACTUAL

For the Years Ended December 31,

**SPECIAL REVENUE FUNDS
CLASS**

	<u>2011</u>	<u>2010</u>
CASH RECEIPTS		
Class fees	\$ 39,635	\$ 45,002
Grants	279	-
Total Cash Receipts	<u>\$ 39,914</u>	<u>\$ 45,002</u>
EXPENDITURES		
Instructor	\$ 10,930	\$ 14,269
Supplies	8,213	8,269
Other	22,564	21,668
Total Expenditures	<u>\$ 41,707</u>	<u>\$ 44,206</u>
RECEIPTS OVER (UNDER) EXPENDITURES	\$ (1,793)	\$ 796
UNENCUMBERED CASH AND INVESTMENT BALANCE - BEGINNING OF YEAR	<u>11,617</u>	<u>10,821</u>
UNENCUMBERED CASH AND INVESTMENT BALANCE - END OF YEAR	<u>\$ 9,824</u>	<u>\$ 11,617</u>

Financial Statements

SALINA PUBLIC LIBRARY

STATEMENT 3

Salina, Kansas

STATEMENTS OF CASH RECEIPTS AND EXPENDITURES (CONTINUED) - ACTUAL

For the Years Ended December 31,

**SPECIAL REVENUE FUNDS
FINES AND MISCELLANEOUS FUND**

	<u>2011</u>	<u>2010</u>
CASH RECEIPTS		
Fines	\$ 34,831	\$ 41,060
Donations/Memorials	5,093	30,241
Interest	541	1,023
Miscellaneous	18,668	22,907
Transfers in	50	-
Total Cash Receipts	<u>\$ 59,183</u>	<u>\$ 95,231</u>
EXPENDITURES		
Equipment and software	\$ 14,781	\$ 96,857
Grants/Programs	9,651	10,294
Library materials	2,385	2,598
Central Kansas Credit Bureau	180	378
Miscellaneous	11,342	17,055
Transfers out	-	2,100
Total Expenditures	<u>\$ 38,339</u>	<u>\$ 129,282</u>
RECEIPTS OVER (UNDER) EXPENDITURES	\$ 20,844	\$ (34,051)
UNENCUMBERED CASH AND INVESTMENT BALANCE - BEGINNING OF YEAR	<u>115,845</u>	<u>149,896</u>
UNENCUMBERED CASH AND INVESTMENT BALANCE - END OF YEAR	<u>\$ 136,689</u>	<u>\$ 115,845</u>

Financial Statements

SALINA PUBLIC LIBRARY

Salina, Kansas

STATEMENT 3

STATEMENTS OF CASH RECEIPTS AND EXPENDITURES (CONTINUED) - ACTUAL

For the Years Ended December 31,

CAPITAL IMPROVEMENTS FUND

	<u>2011</u>	<u>2010</u>
CASH RECEIPTS		
Transfer from General Fund	\$ 116,000	\$ 60,000
EXPENDITURES		
Capital expense	\$ 62,869	\$ 125,744
RECEIPTS OVER (UNDER) EXPENDITURES	\$ 53,131	\$ (65,744)
UNENCUMBERED CASH AND INVESTMENT BALANCE - BEGINNING OF YEAR	<u>406,392</u>	<u>472,136</u>
UNENCUMBERED CASH AND INVESTMENT BALANCE - END OF YEAR	<u>\$ 459,523</u>	<u>\$ 406,392</u>

Financial Statements

SALINA PUBLIC LIBRARY

STATEMENT 3

Salina, Kansas

STATEMENTS OF CASH RECEIPTS AND EXPENDITURES (CONTINUED) - ACTUAL

For the Years Ended December 31,

**FIDUCIARY FUNDS
EXPENDABLE MEMORIAL FUND**

	<u>2011</u>	<u>2010</u>
CASH RECEIPTS		
Dividends	\$ 616	\$ 473
Market value adjustment	837	4,661
Total Receipts	<u>\$ 1,453</u>	<u>\$ 5,134</u>
EXPENDITURES		
Market value adjustment	<u>\$ -</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER) EXPENDITURES	\$ 1,453	\$ 5,134
UNENCUMBERED CASH AND INVESTMENT BALANCE - BEGINNING OF YEAR	<u>46,875</u>	<u>41,741</u>
UNENCUMBERED CASH AND INVESTMENT BALANCE - END OF YEAR	<u><u>\$ 48,328</u></u>	<u><u>\$ 46,875</u></u>

Financial Statements

SALINA PUBLIC LIBRARY **STATEMENT 3**
 Salina, Kansas
STATEMENTS OF CASH RECEIPTS AND EXPENDITURES (CONTINUED) - ACTUAL
 For the Years Ended December 31,

FIDUCIARY FUNDS
EXPENDABLE GREATER SALINA COMMUNITY FOUNDATION

	2011	2010
CASH RECEIPTS		
Gain on investments	\$ -	\$ 6,456
EXPENDITURES		
Loss on investments	\$ 718	\$ -
RECEIPTS OVER (UNDER) EXPENDITURES	\$ (718)	\$ 6,456
UNENCUMBERED CASH AND INVESTMENT BALANCE - BEGINNING OF YEAR	50,123	43,667
UNENCUMBERED CASH AND INVESTMENT BALANCE - END OF YEAR	\$ 49,405	\$ 50,123

Financial Statements

SALINA PUBLIC LIBRARY **STATEMENT 3**
 Salina, Kansas
STATEMENTS OF CASH RECEIPTS AND EXPENDITURES (CONTINUED) - ACTUAL
 For the Years Ended December 31,

FIDUCIARY FUNDS
NON-EXPENDABLE ADAMS MEMORIAL FUND

	2011	2010
CASH RECEIPTS		
Interest	\$ 50	\$ 184
EXPENDITURES		
Transfer to Fines and Miscellaneous Fund	\$ 50	\$ 184
RECEIPTS OVER (UNDER) EXPENDITURES	\$ -	\$ -
UNENCUMBERED CASH AND INVESTMENT BALANCE - BEGINNING OF YEAR	5,000	5,000
UNENCUMBERED CASH AND INVESTMENT BALANCE - END OF YEAR	\$ 5,000	\$ 5,000

Financial Statements

SALINA PUBLIC LIBRARY
Salina, Kansas
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

Note 1: Summary of Significant Accounting Policies

The Salina Public Library (the Library) is a municipality with tax levying authority in Saline County, Kansas (the City). The governing body is composed of seven members who are appointed by the Mayor of the City of Salina, plus the Mayor who serves as the eighth member. The City of Salina is not financially accountable for the Library.

Statutory Basis of Accounting

These financial statements are presented on a basis of accounting that demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund receiving the cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an interfund transaction, a cash disbursement is recorded in the fund from which the cash is transferred. Expenditures include disbursements, 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.

The Library 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 municipality to use the statutory basis of accounting.

Departure from Generally Accepted Accounting Principles

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivables, inventories and prepaid expense, 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 accounting principles generally accepted in the United States of America. Capital assets that account for the land, building and equipment owned by the municipality are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes and compensated absences are not presented in the financial statements.

Fund Descriptions

The accounts of the Library are organized and operated on the basis of funds. 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 Library has the following fund types:

Governmental Funds

General Fund

To account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds

To account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

SALINA PUBLIC LIBRARY
Salina, Kansas
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011 and 2010

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Descriptions (Continued)

Governmental Funds (Continued)

Capital Projects Funds

To account for financial resources segregated for the acquisitions of major capital facilities.

Fiduciary Funds

Memorial Funds

To account for assets held by the Library as trustee or agent for others. Memorial funds account for assets held by the Library under the terms of a written agreement. Non-expendable memorial funds account for assets of which the principal may not be spent.

Greater Salina Community Foundation

To account for assets held by the Library with the Greater Salina Community Foundation under the terms of written agreement.

Ad Valorem Tax Revenue

The determination of assessed valuations and the collections of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County Appraiser's Office annually determines assessed valuation and the county clerk spreads the annual assessment on the tax rolls. One-half of the property taxes are due December 20th prior to the fiscal year for which they are budgeted, and the second half is due the following May 10th. Therefore, an individual's taxes are collected in advance of the budget year to be financed. The Library draws all available funds from the County Treasurer's Office at designated times throughout the year.

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. 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 of the proposed budget and notice of public hearing on the budget on or before August 5th.
- c. Public hearing on or before August 15th, but at least ten 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 ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There was no such budget amendment for this year.

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.

SALINA PUBLIC LIBRARY
Salina, Kansas
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011 and 2010

Note 1: Summary of Significant Accounting Policies (Continued)
Budgetary Information (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 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 and the following special revenue funds: Central Kansas Library System Fund, Central Kansas Library System Processing Fund, State Aid Fund, Interlibrary Loan Development Program, and Class Fund. Spending of 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.

Note 2: Deposits and Investments

The Library had the following investments and maturities as of December 31,:

<u>Investment Type</u>	<u>2011 Fair Value</u>	<u>2010 Fair Value</u>
Mutual Funds	\$ 48,328	\$ 46,875
Greater Salina Community Foundation	49,405	50,123
Total Fair Value	\$ 97,733	\$ 96,998

K.S.A. 9-1401 establishes the depositories which may be used by the Library. The statute requires banks eligible to hold the Library's funds have a main or branch bank in the county in which the Library 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 has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Library's investment 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 has no investment policy that would further limit its investment choices. The rating of the Library's investments is noted above.

Concentration of credit risk - State statutes place no limit on the amount the Library may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The Library's allocation of investments as of December 31 is as follows:

<u>Investments</u>	<u>2011</u>	<u>2010</u>
Mutual Funds	49%	50%
Greater Salina Community Foundation	51%	50%

Custodial credit risk - deposits - Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. State statutes require the Library'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 had no designated "peak periods" during the year ended December 31, 2011 and 2010. All deposits were legally secured at December 31, 2011 and 2010.

SALINA PUBLIC LIBRARY
Salina, Kansas
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011 and 2010

Note 2: Deposits and Investments (Continued)

At December 31, 2011, the carrying amount of the Library's deposits was \$904,220 and the bank balance was \$938,737. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance \$427,051 was covered by federal depository insurance, \$511,686 was collateralized with securities held by the pledging financial institutions' agents in the Library's name. The pledged securities are held under a tri-party custodial agreement signed by all three parties: the Library, the pledging bank and the independent third-party bank holding the pledged securities.

At December 31, 2010, the carrying amount of the Library's deposits was \$912,433 and the bank balance was \$947,620. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance \$427,012 was covered by federal depository insurance, \$520,608 was collateralized with securities held by the pledging financial institutions' agents in the Library's name. The pledged securities are held under a tri-party custodial agreement signed by all three parties: the Library, the pledging bank and the independent third-party bank holding the pledged securities.

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 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.

Memorial Fund Investments

This fund was established, as allowed by K.S.A. 12-1225(j), from the proceeds of unrestricted amounts received from the estates of Carl F. and Frederick C. Prescott. Since no provisions were specified by the donors, the governing body is empowered to invest or reinvest the funds in a manner deemed to best serve the interests of the Library, pursuant to K.S.A. 12-1225(h). The memorial funds were invested in mutual funds and are recorded at market value.

Greater Salina Community Foundation

This fund was established in 2007 from a bequest. According to Foundation policy, the Foundation has ultimate authority and control over the assets and is empowered to invest the funds in a manner deemed to best serve the interests of the Library.

Note 3: Defined Benefit Pension Plan
Plan Description

The Library 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) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% 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 rate for employers. The KPERS employer rate established for calendar year 2011 is 7.74%. The Library's employer contributions to KPERS for the years ending December 31, 2011, 2010 and 2009 were \$85,555, \$79,601 and \$64,780, respectively, equal to the statutorily required contribution.

SALINA PUBLIC LIBRARY
 Salina, Kansas
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2011 and 2010

Note 4: 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; and natural disaster for which the Library carries commercial insurance.

Note 5: Vacation Pay

Full-time employees are entitled to vacation leave as follows: Certified employees earn 10 days for their first six months of service, 15 days for one year of service and 20 days for five years of service. Full-time non-certified employees earn 5 days for their first six months of service, 10 days for one year of service, 15 days for five years of service and 20 days for ten years of service. Part-time employees earn vacation time equaling two times their average hours worked for one year of service, three times their average hours worked for five years of service and four times their average hours worked for ten years of service. Vacation leave is not cumulative. An employee separated from service in any manner, after at least one year of employment, will receive compensation for unused vacation. At December 31, 2011 and 2010, the liability for unused vacation was \$50,541 and \$49,341, respectively.

Note 6: Sick Pay

Full-time employees earn 96 hours of sick leave annually to be used for illness, maternity, or death in the family. Any unused portion may accumulate up to a maximum of 120 working days. Sick leave may not be used until earned. An employee separated from service in good standing will receive compensation for 50% of his/her accumulated sick leave. At December 31, 2011 and 2010, the liability for 50% of unused sick pay was \$48,383 and \$51,139, respectively.

Note 7: Personal Leave

Full-time employees earn two days of personal leave annually. Employees are not entitled to personal leave until completion of one year of employment. Personal leave is not cumulative and is not paid out upon termination. Based upon this, there is no liability for personal leave at December 31, 2011 and 2010.

Note 8: Interfund Transfers

Operating transfers were as follows:

From	To	Amount
General Fund	Capital Improvement Fund	\$ 116,000
Non-expendable Adams Memorial Fund	Fines and Miscellaneous Fund	50

February 7, 2012

Board of Trustees
Salina Public Library
Salina, Kansas

**Independent Auditors' 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***

We have audited the statutory basis financial statements of the Salina Public Library (the Library) as of and for the year ended December 31, 2011 and have issued our report thereon dated February 7, 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.

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.

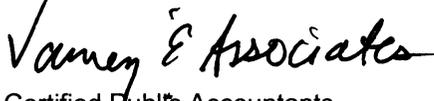
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be deficiencies, significant deficiencies or material weaknesses. We did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

February 7, 2012
Salina Public Library
(Continued)

Compliance and Other Matters

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

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



Certified Public Accountants
Manhattan, Kansas

ADDITIONAL INFORMATION

SALINA PUBLIC LIBRARY
 Salina, Kansas
FUNDS ON DEPOSIT COMPARED WITH DEPOSITORY COVERAGE
 December 31, 2011

	<u>Sunflower Bank</u>	<u>Simmons Bank</u>
Funds on Deposit		
Demand deposits	\$ 172,012	\$ -
Savings	770,608	-
Time deposits	-	5,000
Total Funds on Deposit	<u>\$ 942,620</u>	<u>\$ 5,000</u>
 Coverage		
FDIC coverage	\$ 500,000	\$ 250,000
Securities pledged - Market value	1,472,681	-
Total Coverage	<u>\$ 1,972,681</u>	<u>\$ 250,000</u>
 FUNDS AT RISK	<u>NONE</u>	<u>NONE</u>

Additional Information