

ABILENE FREE PUBLIC LIBRARY

FINANCIAL STATEMENT
WITH INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2012

ABILENE FREE PUBLIC LIBRARY

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Certified Public Accountants

Pottberg, Gassman & Hoffman, Chtd.

816 N Washington
Junction City, KS 66441
(785) 238-5166
Fax (785) 238-6830

529 Humboldt, Suite I
Manhattan, KS 66502
(785) 537-9700
Fax (785) 537-3734

505 NW 3rd, Suite 1
Abilene, KS 67410
(785) 263-2171
Fax (785) 263-3340

www.pgh-cpa.com

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Abilene Free Public Library
Abilene, Kansas

We have audited the accompanying summary statement of receipts, expenditures, and unencumbered cash of the Abilene Free Public Library (Library), a related municipal entity of the City of Abilene, Kansas, as of and for the year ended December 31, 2012 and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement 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 and Accounting Guide*. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described more fully in Note 1 of the financial statement, the financial statement is prepared by the Library to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

MEMBERS:
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Public Accountants



The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does 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, 2012, or the changes in its financial position and cash flows thereof for the year then ended. Further, the Library has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statement.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of Library, as of December 31, 2012, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* as described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the summary statement of receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The individual fund schedules of regulatory basis receipts and expenditures (Schedules 1-1 and 1-2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. The accompanying schedule of receipts and expenditures – actual and budget is presented for additional analysis. 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 basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

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

Pottberg, Gassman & Hoffman, Chartered

Pottberg, Gassman & Hoffman, Chartered
Abilene, Kansas
February 19, 2013

ABILENE FREE PUBLIC LIBRARY

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
REGULATORY BASIS
FOR THE YEAR ENDED, DECEMBER 31, 2012

<u>Funds</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Prior Year Canceled Encumbrances</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add Outstanding Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
Governmental Type Fund:							
General Fund	\$ -	-	327,251	324,015	3,236	-	3,236
Special Purpose Fund:							
MTG Fund	47,614	-	17,968	16,039	49,543	-	49,543
Total Reporting Entity	<u>\$ 47,614</u>	<u>-</u>	<u>345,219</u>	<u>340,054</u>	<u>52,779</u>	<u>-</u>	<u>52,779</u>
Composition of Cash:							
				Checking Account			\$ 5,850
				Money Market Accounts			9,034
				Certificates of Deposit			37,795
				Petty Cash			100
				Total Reporting Entity			<u>\$ 52,779</u>

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

ABILENE FREE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statement follows:

A. Municipal Financial Reporting Entity

The Abilene Free Public Library (Library) is a related municipal entity of the City of Abilene, Kansas (City) governed by a seven-member board of directors. The Library was organized to provide services for the public as outlined by its charter. The basic operations of the Library are financed by tax revenue allocated from the City.

The accounting and reporting policies of the Library relating to the funds and account groups included in the accompanying financial statement conform to the regulatory basis of accounting to show compliance with the cash basis laws of the State of Kansas. The more significant accounting policies of the Library are described below.

B. Fund Accounting

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific regulations, restrictions, or limitations.

The following types of funds comprise the financial activities of the Library for the year of 2012:

Governmental Fund:

General Fund – is the main operating fund of the Library. This fund is used to account for all financial resources not accounted for in other funds.

Special Purpose Fund:

MTG Fund – used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

C. Regulatory Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The Kansas Municipal Audit and Accounting Guide (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

ABILENE FREE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Regulatory Basis of Accounting, continued

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 Library to use the regulatory basis of accounting.

D. Budgetary Control

The Library Charter establishes the fiscal year as the twelve-month period beginning January 1. The Library board prepares a budget of estimated cash receipts and expenditures for the ensuing fiscal year. The annual operating budget is adopted, but is for internal management use only. State of Kansas Statutes do not require the Library to prepare or submit a legal budget.

NOTE 2 - DEPOSITS AND INVESTMENTS

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 Library had no investments in 2012.

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.

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 has no designated "peak periods". All deposits were legally secured at December 31, 2012.

At December 31, 2012, the Library's carrying amount of deposits was \$52,679 and the bank balance was \$53,243. The bank balance was held by two banks which does not result in a concentration of credit risk. The entire bank balance was covered by federal depository insurance.

NOTE 3 - 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. Insurance premiums are paid for property and liability insurance coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

ABILENE FREE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2012

NOTE 4 - 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 rates. Effective, July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas 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. Kansas law sets a limitation on annual increases in the employer contribution rates.

NOTE 5 - COMPENSATED ABSENCES

The Library's policy allows full time employees to accumulate sick pay one day a month cumulative to 60 days, if not used during the current year. Part-time employees (work 20 hours a week) may receive sick leave on a pro-rated pay scale based on their employment contract. Vacations are earned after 12 months of service. Vacations earned are taken within the following 12 months and cannot be carried over from one year to the next. If an employee leaves the Library, he or she is not entitled to a payment of vacation leave or sick pay, therefore an amount is not recorded in the financial statement.

NOTE 6 – OTHER POST EMPLOYMENT BENEFITS

As provided by K.S.A. 12-5040, the Library allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the Library 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 this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Library 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 under this program.

NOTE 7 – SUBSEQUENT EVENTS

The Library's management has evaluated subsequent events through February 19, 2013, the date the financial statement was available to be issued.

**REGULATORY REQUIRED
SUPPLEMENTARY INFORMATION**

ABILENE FREE PUBLIC LIBRARY
GOVERNMENTAL TYPE FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

GENERAL FUND

Cash Receipts:

Appropriations - City of Abilene, Kansas	\$ 310,660
Interest Income	175
Fines and Fees	8,805
Miscellaneous Income	2,946
Grants	4,665
Total Cash Receipts	<u>327,251</u>

Expenditures:

Salaries and Wages	176,777
Payroll Taxes and Benefits	53,367
Books and Periodicals	28,002
Professional Services	4,220
Office Expenses and Supplies	2,663
Insurance	547
Utilities and Telephone	27,563
Buildings and Grounds	22,579
Conferences and Travel	871
Postage and Freight	2,213
Miscellaneous Expense	525
Capital Improvements	-
Program Expenses	4,688
Total Expenditures	<u>324,015</u>

Receipts Over (Under) Expenditures 3,236

Unencumbered Cash, January 1 -

Unencumbered Cash, December 31 \$ 3,236

ABILENE FREE PUBLIC LIBRARY
SPECIAL PURPOSE FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

MTG FUND

Cash Receipts:

Memorials and Gifts	\$ 4,269
Investment Income	876
Miscellaneous Income	<u>12,823</u>

Total Cash Receipts	<u>17,968</u>
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Expenditures:

Books and Periodicals	2,295
Miscellaneous Expense	3,354
Program Expenses	<u>10,390</u>

Total Expenditures	<u>16,039</u>
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Receipts Over (Under) Expenditures	1,929
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Unencumbered Cash, January 1	<u>47,614</u>
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Unencumbered Cash, December 31	<u><u>\$ 49,543</u></u>
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SUPPLEMENTAL INFORMATION

ABILENE FREE PUBLIC LIBRARY

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2012

<u>GENERAL FUND</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Appropriations - City of Abilene, Kansas	\$ 310,660	316,139	(5,479)
Interest Income	175	800	(625)
Fines and Fees	8,805	7,950	855
Miscellaneous Income	2,946	3,000	(54)
Grants	4,665	4,280	385
Total Cash Receipts	<u>327,251</u>	<u>332,169</u>	<u>(4,918)</u>
Expenditures:			
Salaries and Wages	176,777	250,304	(73,527)
Payroll Taxes and Benefits	53,367	-	53,367
Books and Periodicals	28,002	25,720	2,282
Professional Services	4,220	4,775	(555)
Office Expenses and Supplies	2,663	3,100	(437)
Insurance	547	1,500	(953)
Utilities and Telephone	27,563	27,780	(217)
Buildings and Grounds	22,579	16,000	6,579
Conferences and Travel	871	1,025	(154)
Postage and Freight	2,213	2,000	213
Miscellaneous Expense	525	977	(452)
Program Expenses	4,688	2,300	2,388
Total Expenditures	<u>324,015</u>	<u>335,481</u>	<u>(11,466)</u>
Receipts Over (Under) Expenditures	3,236	(3,312)	
Unencumbered Cash, January 1	<u>-</u>	<u>3,312</u>	
Unencumbered Cash, December 31	<u>\$ 3,236</u>	<u>\$ -</u>	