

**THE HUTCHINSON PUBLIC LIBRARY
HUTCHINSON, KANSAS**

FINANCIAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2012

THE HUTCHINSON PUBLIC LIBRARY
For the Year Ended December 31, 2012

BOARD OF DIRECTORS

Robert Kelly
Chairman

Denise Neighbors
Treasurer

S. Eric Steinle
Vice Chairman

Barbara Scott
Director

Jeff Roberson
Director

Steve Timken
Director

Marty Fee
Director

LIBRARY OFFICIALS

Gregg Wamsley
Library Director

Tina Stropes
Business Manager

John B. Swearer
Attorney



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hutchinson Public Library
Hutchinson, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Hutchinson Public Library, Kansas, a Municipality, 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 the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' 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 require 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 in Note 1 of the financial statement, the financial statement is prepared by the Hutchinson Public 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.

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 Hutchinson Public Library as of December 31, 2012, or changes in financial position and cash flows thereof for the year then ended.

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 the Hutchinson Public 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* described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 2012 fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, and individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the 2012 basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. 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 2012 basic financial statement. The 2012 information has been subjected to the auditing procedures applied in the audit of the 2012 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 2012 basic financial statement or to the 2012 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 2012 basic financial statement as a whole, on the basis of accounting described in Note 1.

The 2011 Actual column presented in the individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedules of regulatory basis receipts and expenditures-actual-related municipal entity (Schedules 2 as listed in the table of contents) are also presented for comparative analysis and are not a required part of the 2011 basic financial statement upon which we rendered an unqualified opinion dated April 12, 2012. The 2011 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration, Office of Management Analysis and Standards at the following link <http://da.ks.gov/ar/muniserv/>. Such 2011 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2011 basic financial statement. The 2011 comparative information was subjected to the auditing procedures applied in the audit of the 2011 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 2011 basic financial statement or to the 2011 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 2011 comparative information is fairly stated in all material respects in relation to the 2011 basic financial statement as a whole, on the basis of accounting described in Note 1.

Swindoll, Janzen, Hawk & Loyd, LLC

Certified Public Accountants

March 13, 2013

THE HUTCHINSON PUBLIC LIBRARY
HUTCHINSON, KANSAS

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>Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add: Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
GENERAL FUND	\$ 311,160	\$ 1,509,173	\$ 1,487,810	\$ 332,523	\$ 9,834	\$ 342,357
SPECIAL PURPOSE FUNDS						
Employee Benefits Fund	82,901	316,729	244,919	154,711	-	154,711
Billing Fines and Fees Fund	56,589	45,835	35,041	67,383	-	67,383
SCKLS Allocation Fund	141,587	92,461	68,710	165,338	-	165,338
Capital Improvement Fund	109,350	100,000	91,131	118,219	-	118,219
Kan-Ed Subsidy Fund	-	-	-	-	-	-
State Grants in Aid Fund	-	17,921	17,921	-	-	-
Interlibrary Loan Dvlp Plan Grant Fund	2,566	-	-	2,566	-	2,566
Expendable Gift Fund	1,068,640	116,215	151,519	1,033,336	-	1,033,336
Total Special Purpose Funds	1,461,633	689,161	609,241	1,541,553	-	1,541,553
TRUST FUNDS						
Nonexpendable Gift Fund	952,424	-	-	952,424	-	952,424
Total Trust Funds	952,424	-	-	952,424	-	952,424
Total Reporting Entity (Excluding Agency Funds)	\$ 2,725,217	\$ 2,198,333	\$ 2,097,051	\$ 2,826,499	\$ 9,834	\$ 2,836,333

COMPOSITION OF CASH

Petty Cash	\$ 200
Checking and savings accounts	1,049,626
U.S. Federal bonds	200,994
Federated money market funds	37,673
	<u>1,288,493</u>

PRIVATE GIFT MONIES INVESTED BY AUTHORITY OF K.S.A. 12-225

Equity pool at community foundation	274,075
Stocks and bonds at local financial institution	1,273,765
	<u>1,547,840</u>

Total Reporting Entity (Excluding Agency Funds) \$ 2,836,333

THE HUTCHINSON PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENT

For the Year Ended December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Municipal Financial Reporting Entity

The Hutchinson Public Library (the municipality) was formed in the year 1901 under the provisions of K.S.A. 12-1222 to meet the informational and educational needs of all residents of the City of Hutchinson, Kansas. The Library is governed by a seven-member board.

(b) Regulatory Basis Fund Types

General Fund - the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose 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.

Trust Fund - funds used to report assets held in trust for the benefit of the municipal financial reporting entity (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipal reporting entity, scholarship funds, etc.).

(c) 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.

The municipality 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 regulatory basis of accounting.

(d) Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the General Fund, Special Purpose Funds (unless specifically exempted by statute), Bond and Interest Funds and Business Funds. Although directory rather than mandatory, the statutes provide for the following sequence and 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 local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(d) Budgetary Information (Cont.)

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 such budget amendments 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.

All legal annual operating budgets are prepared using the regulatory 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 municipality 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 the capital improvements fund, donation funds, state grant funds, and federal grant funds.

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

(e) Cash and Investments

Cash includes amounts in demand and time deposits at financial institutions. Investments are governed by Kansas Statutes (K.S.A.). K.S.A. 12-1675 governs the investing of public funds. K.S.A. 12-1225 governs the investing of private gift money given to the Library. K.S.A. 12-1675 authorizes the Library to invest public funds in U.S. Treasury bills and notes, repurchase agreements, the State Municipal Investment Pool, and others. K.S.A. 12-1225 authorizes the Library Board to invest private gift monies in the manner to best serve the interests of the Library. Investments relating to private gift money consist of U.S. Treasury obligations, federal agency obligations, common stocks, various other bond instruments, and others.

Investments are reported at cost on the books of the Library. The fair value of these investments are reflected in footnote 3. Fair value of U.S. Treasury obligations, federal agency obligations, stocks, and bonds are determined by published market quotes. The fair value of funds at the community foundation is based on the value of the pooled investments as determined by the Hutchinson Community Foundation manager. The Hutchinson Community Foundation is a nonprofit organization that pools money for investment purposes.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Kansas Statutes.

No statutory violations noted in 2012.

3. 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.

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. All deposits were legally secured at December 31, 2012.

At December 31, 2012, the Library's carrying amount of deposits was \$1,050,689 and the bank balance was \$1,101,576. The bank balance was held by three banks with the majority of the funds located in one bank, resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining \$851,576 was collateralized with securities held by the pledging financial institutions' agents in the Library's name.

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.

Investments - The Library has the following investments as of the end of the year:

	Book Carrying Value	Fair Value	Average Credit Quality Rating	Weighted Average Years to Maturity
Investments managed by outside financial institution:				
Federated money market fund	\$ 37,673	\$ 37,673	N/A	N/A
Federal agencies	200,994	209,571	AA+	1.91
Stock common	616,142	684,040	N/A	N/A
Mutual fund	516,437	517,324	N/A	N/A
Corporate bonds	141,186	151,828	AA	2.28
Investments managed by outside community foundation:				
Equity pool	<u>274,075</u>	<u>312,732</u>	N/A	N/A
	<u>\$ 1,786,507</u>	<u>\$ 1,913,168</u>		

3. DEPOSITS AND INVESTMENTS (CONT.)

Investment Policy for Private Funds

Interest rate risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities.

Credit risk - Credit risk is the risk that an issuer to an investment will not fulfill its obligations. Through the investment policies of the outside financial institution, the Library limits its investments in commercial paper and corporate bonds. The Library's investments in debt holdings were rated AAA to A by Standard and Poor's Ratings.

Concentration of credit risk - This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Library's investments are diversified among various issuers and industry types. The percentage attributable to anyone single issuer, averages less than 5%.

Custodial credit risk - investments - Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of investments that are in the possession of an outside party. The Library's investments held at the community foundation may be subject to this risk as the underlying investments are held by the community foundation. The amount at risk is approximately \$274,000.

4. CAPITAL ASSETS

The presentation of the financial statements in accordance with the regulatory basis of accounting does not include the capital assets of the Library. The Library continues to maintain records on capital assets. The balances and activity stated at cost with no depreciation, are as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>
Land	\$ 305,942	\$ -	\$ -	\$ 305,942
Building	2,918,489	-	-	2,918,489
Mobile equipment	36,426	-	-	36,426
Furniture	863,803	78,756	5,955	936,604
Electronic equipment	<u>645,294</u>	<u>10,899</u>	<u>183,931</u>	<u>472,262</u>
	<u>\$ 4,769,954</u>	<u>\$ 89,655</u>	<u>\$ 189,886</u>	<u>\$ 4,669,723</u>

5. LONG-TERM LIABILITIES

No long-term liabilities during the year ended December 31, 2012.

6. DEFINED BENEFIT PENSION PLAN

Plan Description. The Hutchinson Public Library participates in the Kansas Public Employees Retirement System (KPERs), a cost-sharing multiple-employer defined benefit pension plan as provided by Kansas law. 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.

6. DEFINED BENEFIT PENSION PLAN (CONT.)

Funding Policy. K.S.A. 74-4919 and K.S.A. 74-4920 establish 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 rates 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.

The State of Kansas is required to contribute the statutory required employers share.

7. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

(a) 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.

(b) Other Employee Benefits

Vacation: The Library provides all regular full-time employees and eligible regular part-time employees with pay as follows:

1. Director or Professional Grade Employees with ten or more years of service will earn 160 hours annually with pay, accumulating at the monthly rate of 13 hours and 20 minutes. (Maximum accumulation will be 320 hours; $\frac{3}{4}$ time and $\frac{1}{2}$ time employees will accumulate 240 hours and 160 hours respectively.
2. Professional Grade Employees with less than 10 years of service or full-time employees with 10 years or more of service will earn 120 hours annually with pay, accumulating at the monthly rate of 10 hours. (Maximum accumulation will be 240 hours; $\frac{3}{4}$ times and $\frac{1}{2}$ time will accumulate to 180 hours and 120 hours respectively).
3. Other full-time employees will earn 80 hours annually with pay, accumulating at the monthly rate of 6 hours and 40 minutes. (Maximum accumulation will be 160 hours; $\frac{3}{4}$ times and $\frac{1}{2}$ time will accumulate to 120 hours and 80 hours respectively.

Vacation leave in excess of accumulated maximum limits shall be forfeited as of December 31 of each year. No employee shall take more than two weeks vacation at one time, except when approved by the supervisor and the Library Director. Unearned vacation cannot be taken in advance. Vacation is to be recorded in fifteen minute intervals. When reported, any fraction of a quarter hour will be rounded to the next quarter hour. Vacation is to be scheduled in order not to disrupt the continuity of library service. No employee may take earned vacation without prior approval from his/her supervisor. Forms for requesting or recording annual leave are available from the employee's supervisor or the Business Office. The Business Office keeps a record of all absences, and employee leave balances are noted monthly on paycheck stub.

7. OTHER LONG-TERM GATIONS FROM OPERATIONS (CONT.)

(b) Other Employee Benefits (Cont.)

Sick Leave: Full-time employees earn sick leave beginning with the month of employment at the rate of 6.67 hours per month or 80 hours per year. Full-time employees may accrue up to 320 hours. Part-time employees earn sick leave beginning with the month of employment at the rate of 5 hours per month for $\frac{3}{4}$ time employees and 3.33 hours per month for $\frac{1}{2}$ time employees. $\frac{3}{4}$ time employees may accrue up to 240 hours and $\frac{1}{2}$ time employees may accrue up to 160 hours. Sick leave with pay is granted only after it has been earned and for the following reasons:

1. For the absence of the employee due to his/her own illness, injury, medical confinement or quarantine or as a result of childbirth, and recovery or related complications.
2. For the absence of the employee due to illness or injury of someone in the employee's immediate family, for which the employee's presence is needed. Immediate family is defined to mean a spouse, parent, child, grandparent or person for whom you have legal responsibility.
3. Medical or dental appointments. Part-time employees are encouraged to make appointments on their own time, if possible.

Once an employee has been absent for a period of five consecutive working days, the employee must obtain a doctor's certification to return to work. Vacation must be used for sick leave purposes after accrued sick leave is exhausted. Sick leave is to be recorded in fifteen-minute intervals. Forms for reporting sick leave are available from and must be approved by the employee's supervisor. Upon approval, the form should be forwarded to the Business Office. Scheduled appointments should be requested before appointment time on the Sick/Vacation form available from the employee's supervisor or the business office. Any employee who uses less than 25% of their sick leave earned annually will receive an extra day of vacation in January of the following year.

Sick Leave Pool: All employees working 20 hours or more are eligible to participate in the Library sick leave pool program. The purpose of the program is to contribute sick leave hours to a pool for use when members of the pool have exhausted their accumulated vacation and sick leave, and a physician states that they are unable to work.

Normal maternity delivery and illness of other family members are not covered by the program. New employees may join in their first month of employment. There will be open enrollment each year between December 1 and December 15. Employees who wish to discontinue participation in the sick leave pool program may do so at any time by notifying the Library Director in writing. Employees who withdraw are not eligible to re-enroll and the hours they have contributed will remain in the pool. At the time an employee retires or leaves employment, they may contribute up to 40 hours of accrued sick leave to the pool. A form for that purpose will be available in the business office.

8. INTERFUND TRANSFERS

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
General	Capital Improvement	K.S.A.-1258	\$ 100,000

9. CLAIMS AND JUDGMENTS

The Library participates in federal, state and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Library may be required to reimburse the grantor government. As of the date of this report, grant expenditures have not been audited, but the Library believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Library.

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries; and natural disasters. The Library has purchased commercial insurance for these potential risks. There have been no significant reductions in insurance coverage from 2011 to 2012 and there were no settlements that exceeded insurance coverage in the past three years.

During the ordinary course of its operations, the Library is a party to various claims, legal actions and complaints. It is the opinion of the Library's management and legal counsel that these matters are not anticipated to have a material impact on the Library.

10. SUBSEQUENT EVENTS

Management has evaluated the effects of the financial statement of subsequent events occurring through the date of this report, which is the date at which the financial statement was available to be issued.

**THE HUTCHINSON PUBLIC LIBRARY
HUTCHINSON, KANSAS**

REGULATORY-REQUIRED

SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2012

THE HUTCHINSON PUBLIC LIBRARY
HUTCHINSON, KANSAS

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET

Regulatory Basis

(Budgeted Funds Only)

For the Year Ended December 31, 2012

<u>Funds</u>	<u>Certified Budget</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Over (Under)</u>
GENERAL FUND	\$ 1,896,741	\$ 1,487,810	\$ (408,931)
SPECIAL PURPOSE FUNDS			
Employee Benefits Fund	325,006	244,919	(80,087)
Building Fines & Fees Fund	94,005	35,041	(58,964)
SCKLS Allocation Fund	158,662	68,710	(89,952)
Capital Improvement Fund	340,902	91,131	(249,771)

THE HUTCHINSON PUBLIC LIBRARY
HUTCHINSON, KANSAS

GENERAL FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	2011 Actual	2012		Variance Over (Under)
		Actual	Budget	
Receipts				
Taxes-local	\$ 1,564,530	\$ 1,508,934	\$ 1,568,384	\$ (59,450)
Earnings on investments	233	180	1,000	(820)
Miscellaneous income	6	59	-	59
Total Receipts	1,564,769	1,509,173	\$ 1,569,384	\$ (60,211)
Expenditures				
Audit and budget	9,850	9,850	\$ 10,000	\$ (150)
Library materials	27,275	69,868	279,756	(209,888)
Online services	17,394	14,576	26,000	(11,424)
OCLC	24,725	19,433	18,900	533
Equipment and maintenance	14,488	2,209	20,000	(17,791)
Insurance	16,866	18,516	19,000	(484)
Miscellaneous	368	-	1,000	(1,000)
Periodicals	25,411	19,038	26,000	(6,962)
Postage	17,038	16,510	20,000	(3,490)
Public relations	6,990	6,122	7,000	(878)
Contractual services	24,752	31,217	40,000	(8,783)
Building maintenance	26,487	25,232	40,000	(14,768)
Salaries	1,014,951	1,004,883	1,087,085	(82,202)
Supplies	27,403	33,916	30,000	3,916
Travel	676	456	3,000	(2,544)
Utilities	70,895	71,883	64,000	7,883
Computer services	37,792	44,101	55,000	(10,899)
Capital Impr - Transfer to Capital Improvement Fund	100,000	100,000	150,000	(50,000)
Total Expenditures	1,463,361	1,487,810	\$ 1,896,741	\$ (408,931)
Receipts over (under) Expenditures	101,408	21,363		
Unencumbered Cash, Beginning	209,752	311,160		
Unencumbered Cash, Ending	\$ 311,160	\$ 332,523		

THE HUTCHINSON PUBLIC LIBRARY
HUTCHINSON, KANSAS

SPECIAL PURPOSE FUND

EMPLOYEE BENEFITS FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	2011 Actual	2012		Variance Over (Under)
		Actual	Budget	
Receipts				
Taxes - local	\$ 253,362	\$ 316,138	\$ 323,396	\$ (7,258)
Miscellaneous	-	591	-	591
Total Receipts	<u>253,362</u>	<u>316,729</u>	<u>\$ 323,396</u>	<u>\$ (6,667)</u>
Expenditures				
Workers' compensation	6,142	6,848	\$ 14,400	\$ (7,552)
Social security and medicare	76,323	74,901	83,162	(8,261)
KPERs	76,120	81,168	90,663	(9,495)
Health insurance	75,268	73,912	127,156	(53,244)
Unemployment insurance	956	937	1,025	(88)
Life insurance	4,734	3,566	6,500	(2,934)
Cafeteria plan management	1,803	3,587	2,100	1,487
Total Expenditures	<u>241,346</u>	<u>244,919</u>	<u>\$ 325,006</u>	<u>\$ (80,087)</u>
Receipts Over (Under) Expenditures	12,016	71,810		
Unencumbered Cash, Beginning	<u>70,885</u>	<u>82,901</u>		
Unencumbered Cash, Ending	<u>\$ 82,901</u>	<u>\$ 154,711</u>		

THE HUTCHINSON PUBLIC LIBRARY
HUTCHINSON, KANSAS

SPECIAL PURPOSE FUND

BILLING FINES AND FEES FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	2011 Actual	2012		Variance Over (Under)
		Actual	Budget	
Receipts				
Fines and fees	\$ 49,974	\$ 45,781	\$ 52,620	\$ (6,839)
Investment income	53	54	1,500	(1,446)
Total Receipts	<u>50,027</u>	<u>45,835</u>	<u>\$ 54,120</u>	<u>\$ (8,285)</u>
Expenditures				
Operating expenses	35,920	28,931	\$ 65,745	\$ (36,814)
Equipment and maintenance	-	-	7,240	(7,240)
Copier expense	4,035	4,694	17,120	(12,426)
Microfilm expense	268	216	900	(684)
Supply expense	120	-	3,000	(3,000)
Travel/Training	-	1,200	-	1,200
Total Expenditures	<u>40,343</u>	<u>35,041</u>	<u>\$ 94,005</u>	<u>\$ (58,964)</u>
Receipts Over (Under) Expenditures	9,684	10,794		
Unencumbered Cash, Beginning	<u>46,905</u>	<u>56,589</u>		
Unencumbered Cash, Ending	<u>\$ 56,589</u>	<u>\$ 67,383</u>		

THE HUTCHINSON PUBLIC LIBRARY
HUTCHINSON, KANSAS

SPECIAL PURPOSE FUND

SCKLS ALLOCATION FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	2011 Actual	2012		Variance Over (Under)
		Actual	Budget	
Receipts				
Allocation from SCKLS	\$ 74,862	\$ 92,461	\$ 80,000	\$ 12,461
Expenditures				
Library materials	35,201	12,903	\$ 74,662	\$ (61,759)
Equipment and maintenance	208	-	15,000	(15,000)
Postage	-	-	8,000	(8,000)
Salaries	2,400	2,400	5,000	(2,600)
Travel	3,932	11,450	15,000	(3,550)
Contractual services	23,268	23,535	35,000	(11,465)
Operating expenses	10,928	18,422	3,000	15,422
Other operations	-	-	3,000	(3,000)
Total Expenditures	<u>75,937</u>	<u>68,710</u>	<u>\$ 158,662</u>	<u>\$ (89,952)</u>
Receipts over (under) Expenditures	(1,075)	23,751		
Unencumbered Cash, Beginning	<u>142,662</u>	<u>141,587</u>		
Unencumbered Cash, Ending	<u>\$ 141,587</u>	<u>\$ 165,338</u>		

THE HUTCHINSON PUBLIC LIBRARY
HUTCHINSON, KANSAS

SPECIAL PURPOSE FUND

CAPITAL IMPROVEMENT FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	2011 Actual	2012		Variance Over (Under)
		Actual	Budget	
Receipts				
Transfer from General Fund	\$ 100,000	\$ 100,000	\$ 150,000	\$ (50,000)
Expenditures				
Equipment and maintenance	146,552	91,131	\$ 340,902	\$ (249,771)
Receipts over (under) Expenditures	(46,552)	8,869		
Unencumbered Cash, Beginning	155,902	109,350		
Unencumbered Cash, Ending	\$ 109,350	\$ 118,219		

THE HUTCHINSON PUBLIC LIBRARY
HUTCHINSON, KANSAS

SPECIAL PURPOSE FUND

KAN-ED SUBSIDY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	<u>2011</u> <u>Actual</u>	<u>2012</u> <u>Actual</u>
Receipts		
State aid	\$ -	\$ -
Expenditures		
Operating expense	<u>6</u>	<u>-</u>
Receipts over (under) Expenditures	(6)	-
Unencumbered Cash, Beginning	<u>6</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>

THE HUTCHINSON PUBLIC LIBRARY
HUTCHINSON, KANSAS

SPECIAL PURPOSE FUND

STATE GRANTS IN AID FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL

Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	<u>2011</u> <u>Actual</u>	<u>2012</u> <u>Actual</u>
Receipts		
State aid	\$ 20,048	\$ 17,921
Expenditures		
Salary expense	<u>20,048</u>	<u>17,921</u>
Receipts over (under) Expenditures	-	-
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>

THE HUTCHINSON PUBLIC LIBRARY
HUTCHINSON, KANSAS

SPECIAL PURPOSE FUND

INTERLIBRARY LOAN DEVELOPMENT PLAN GRANT FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL

Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	<u>2011</u> <u>Actual</u>	<u>2012</u> <u>Actual</u>
Receipts		
State aid	\$ -	\$ -
Expenditures		
Library materials	86	-
Salaries	-	-
Total Expenditures	<u>86</u>	<u>-</u>
Receipts over (under) Expenditures	(86)	-
Unencumbered Cash, Beginning	<u>2,652</u>	<u>2,566</u>
Unencumbered Cash, Ending	<u>\$ 2,566</u>	<u>\$ 2,566</u>

THE HUTCHINSON PUBLIC LIBRARY
HUTCHINSON, KANSAS

SPECIAL PURPOSE FUND

EXPENDABLE GIFT FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL

Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	<u>2011</u> <u>Actual</u>	<u>2012</u> <u>Actual</u>
Receipts		
Contributions	\$ 114,133	\$ 120,933
Earnings on investments	40,992	(4,913)
Friends book festival	-	195
	<u>155,125</u>	<u>116,215</u>
Total Receipts		
Expenditures		
Library materials	153,785	134,153
Online services	11,960	11,960
Miscellaneous operations	15	1,350
Contractual services	755	890
Operating expenses	1,699	3,166
	<u>168,214</u>	<u>151,519</u>
Total Expenditures		
Receipts over (under) Expenditures	(13,089)	(35,304)
Unencumbered Cash, Beginning	<u>1,081,729</u>	<u>1,068,640</u>
Unencumbered Cash, Ending	<u>\$ 1,068,640</u>	<u>\$ 1,033,336</u>

THE HUTCHINSON PUBLIC LIBRARY
HUTCHINSON, KANSAS

TRUST FUND

NONEXPENDABLE GIFT FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	<u>2011</u> <u>Actual</u>	<u>2012</u> <u>Actual</u>
Receipts		
Contributions	\$ 1,610	\$ -
Expenditures		
Operating expenses	-	-
Receipts over (under) Expenditures	1,610	-
Unencumbered Cash, Beginning	<u>950,814</u>	<u>952,424</u>
Unencumbered Cash, Ending	<u>\$ 952,424</u>	<u>\$ 952,424</u>