

NORTH CENTRAL KANSAS LIBRARIES SYSTEM

Manhattan, Kansas

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

For the Year Ended December 31, 2012

NORTH CENTRAL KANSAS LIBRARIES SYSTEM

Manhattan, Kansas

As of December 31, 2012

EXECUTIVE COMMITTEE

Susan Moyer

Mary White

Wendy Mitchell

Janet Duncan

Gail Daugherty

Gwen Owens-Wilson

Susan Adamchak

Janet Keller

Susan Davis

Judith Cremer

Eric Benson

Janice Lyhane

Robin Ottoson

OFFICERS

President - Eric Benson

Vice-President - Susan Moyer

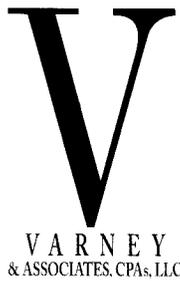
Secretary - Treasurer - Mary White

Linda Knupp

Director

NORTH CENTRAL KANSAS LIBRARIES SYSTEM
Manhattan, Kansas
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April 11, 2013

Board Members
North Central Kansas Libraries System
Manhattan, Kansas

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Central Kansas Libraries System (the Libraries System), as of and for the year ended December 31, 2012, which collectively comprise the Libraries System's basic financial statements and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Libraries System, as of December 31, 2012, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

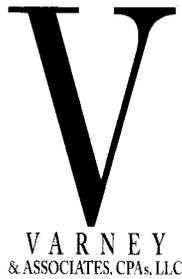
April 11, 2013
North Central Kansas Libraries System
(Continued)

Other-Matter

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 6 and 17 through 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Certified Public Accountants
Manhattan, Kansas



April 11, 2013

Board Members
North Central Kansas Libraries System
Manhattan, Kansas

**Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

We have audited the general purpose financial statements of North Central Kansas Libraries System (the Libraries System) as of and for the year ended December 31, 2012, and have issued our report thereon dated April 11, 2013. 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 Libraries System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control over financial reporting. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Libraries System'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*.

April 11, 2013
North Central Kansas Libraries System
(Continued)

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

Varnay & Associates
Certified Public Accountants

Independent Auditor's Report

NORTH CENTRAL KANSAS LIBRARIES SYSTEM
 Manhattan, Kansas
MANAGEMENT DISCUSSION AND ANALYSIS
 For the Year Ended December 31, 2012

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include information that presents two different views of the Libraries System:

The Statement of Net Position and Statement of Activities are the *government-wide financial statements*. They provide information about the activities of the Libraries System as a whole and present a longer-term view of the Libraries System's finances.

The Balance Sheet and Statement of Revenue, Expenditures, and Changes in Fund Balance are the *fund financial statements*. These statements focus on current financial resources and provide a more detailed view about the accountability of the Libraries System's sources and uses of funds for all governmental funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

The table below compares key financial information in a condensed format between the current year and the prior year, in thousands of dollars:

	<u>2012</u>	<u>2011</u>
Assets		
Current assets	\$ 1,027	\$ 1,077
Capital assets	40	29
Total Assets	<u>\$ 1,067</u>	<u>\$ 1,106</u>
Liabilities		
Current liabilities	\$ 756	\$ 744
Long-term liabilities	23	24
Total Liabilities	<u>\$ 779</u>	<u>\$ 768</u>
Net Position		
Unrestricted	\$ 127	\$ 141
Restricted	121	168
Investment in capital assets	40	29
Total Net Position	<u>\$ 288</u>	<u>\$ 338</u>
Revenue		
Property taxes	\$ 805	\$ 802
Other	160	219
Total Revenue	<u>\$ 965</u>	<u>\$ 1,021</u>
Expenses	<u>1,015</u>	<u>902</u>
Change in Net Position	<u>\$ (50)</u>	<u>\$ 119</u>

Financial Statements

NORTH CENTRAL KANSAS LIBRARIES SYSTEM
Manhattan, Kansas
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended December 31, 2012

Tax revenues from eight participating counties in the Libraries System provide 81% of the organization's income. Remaining revenues come from fees, grants, interest, and gifts.

In 2012, tax revenue exceeded expectations by slightly more than 10%. Interest income and miscellaneous income also exceeded expectations.

The Libraries System did not renew a contract with the State Library of Kansas to provide talking book outreach services for the state FY 2012 - 13, due to the uncertainty of the program's future and declining state revenue. Continued reduction in state aid of 5% to 10% is expected. A position was added for a full-time children's consultant.

The space allocation agreement with the Manhattan Public Library (MPL) was reviewed and updated to clearly define the annual process. In 2012, the Libraries System made a payment of \$17,766 to MPL, according to the terms of the agreement.

Overall total expenses were lower than anticipated by 6%. Most notably, expenses were over budget in the rotation book van line item, due to the purchase of a new book van.

Unexpended funds have traditionally been retained for contingency. Unexpended funds will also help fully fund services in 2013, supplementing anticipated decreases in state aid. As the Libraries Systems member libraries will experience declining revenue from the State Library, the Libraries Systems will have funds to assist member libraries for support of collections, technology and broadband support.

NORTH CENTRAL KANSAS LIBRARIES SYSTEM
 Manhattan, Kansas
STATEMENT OF NET POSITION
 December 31, 2012

ASSETS

Assets

Cash and cash equivalents	\$	280,093
Taxes receivable		747,399
Capital assets - Net		39,979
TOTAL ASSETS		<u><u>\$ 1,067,471</u></u>

LIABILITIES AND NET POSITION

Liabilities

Accounts payable	\$	8,751
Compensated absences		23,510
Deferred revenue		747,399
Total Liabilities		<u><u>\$ 779,660</u></u>

Net Position

Investment in capital assets	\$	39,979
Restricted by		
Grantor		58,389
Tax levy		61,930
Unrestricted		127,513
Total Net Position		<u><u>\$ 287,811</u></u>

TOTAL LIABILITIES AND NET POSITION

\$ 1,067,471

Financial Statements

NORTH CENTRAL KANSAS LIBRARIES SYSTEM
 Manhattan, Kansas
STATEMENT OF ACTIVITIES
 For the Year Ended December 31, 2012

Expenditure/Expenses	
Library Operations	
Personnel services	\$ 606,126
Commodities	197,901
Contractual services	200,068
Depreciation	11,218
Total Program Expenses	<u>\$ 1,015,313</u>
Program Revenues	
Charges for services	<u>\$ 5,106</u>
Net Program Expenses	<u>\$ 1,010,207</u>
General Revenues	
Property taxes	\$ 805,483
Intergovernmental	151,867
Investment earnings	2,714
Gifts and bequests	115
Total General Revenues	<u>\$ 960,179</u>
Change in Net Position	\$ (50,028)
NET POSITION - BEGINNING OF THE YEAR	<u>337,839</u>
NET POSITION - END OF THE YEAR	<u><u>\$ 287,811</u></u>

Financial Statements

NORTH CENTRAL KANSAS LIBRARIES SYSTEM
 Manhattan, Kansas
BALANCE SHEET
 December 31, 2012

	General Fund	Employee Benefit Fund	State Aid Fund	Other Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 135,152	\$ 61,930	\$ 24,622	\$ 58,389	\$ 280,093
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable	\$ 8,751	\$ -	\$ -	\$ -	\$ 8,751
Fund Balance					
Restricted	\$ -	\$ 61,930	\$ -	\$ 58,389	\$ 120,319
Assigned	-	-	24,622	-	24,622
Unassigned	126,401	-	-	-	126,401
Total Fund Balance	\$ 126,401	\$ 61,930	\$ 24,622	\$ 58,389	\$ 271,342
TOTAL LIABILITIES AND FUND BALANCE	\$ 135,152	\$ 61,930	\$ 24,622	\$ 58,389	\$ 280,093
Total Fund Balance - Modified Accrual Basis					\$ 271,342
Amounts reported in the statement of net position are different because:					
Taxes receivable are included as an asset					747,399
Capital assets are not financial resources, and are not reported in the funds					39,979
Compensated absences are included as a liability					(23,510)
Deferred revenues are included as a liability					(747,399)
Net Position of Primary Government - Full Accrual Basis					\$ 287,811

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

Financial Statements

NORTH CENTRAL KANSAS LIBRARIES SYSTEM
Manhattan, Kansas

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2012

	General Fund	Employee Benefit Fund	State Aid Fund	Other Governmental Funds	Total
Revenue					
Property taxes	\$ 683,704	\$ 121,779	\$ -	\$ -	\$ 805,483
Fines and fees	4,481	-	-	-	4,481
State aid and grants	-	-	74,188	10,330	84,518
Interest	2,714	-	-	-	2,714
Contracting libraries	8,130	-	-	59,219	67,349
Gifts	-	-	-	115	115
Reimbursements	-	-	-	-	-
Other miscellaneous	625	-	-	-	625
Total Revenue	\$ 699,654	\$ 121,779	\$ 74,188	\$ 69,664	\$ 965,285
Expenditures					
Salaries and employee benefits	\$ 431,570	\$ 154,979	\$ -	\$ 20,365	\$ 606,914
Telecommunications	2,477	-	-	-	2,477
Travel/Staff development	56,569	-	-	-	56,569
Professional/Contractual services	69,124	-	-	-	69,124
Supplies	13,050	-	-	-	13,050
Postage	-	-	166	-	166
Books and materials	10,314	-	49,613	-	59,927
Grants to libraries	147,681	-	-	63,719	211,400
Capital outlay	7,755	-	-	-	7,755
Total Expenditures	\$ 738,540	\$ 154,979	\$ 49,779	\$ 84,084	\$ 1,027,382
Excess of Revenue Over Expenditures	\$ (38,886)	\$ (33,200)	\$ 24,409	\$ (14,420)	\$ (62,097)
FUND BALANCE - BEGINNING OF THE YEAR	165,287	95,130	213	72,809	333,439
FUND BALANCE - END OF THE YEAR	\$ 126,401	\$ 61,930	\$ 24,622	\$ 58,389	\$ 271,342

(Continued)

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

Financial Statements

NORTH CENTRAL KANSAS LIBRARIES SYSTEM
 Manhattan, Kansas
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE (CONTINUED)
 For the Year Ended December 31, 2012

	Total
	\$ (62,097)

Net Change in Fund Balances - Modified Accrual Basis

Amounts reported in the statement of activities are different because:

Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	22,499
Depreciation	(11,218)

Decrease in the accrual for long-term compensated absences reported as an expenditure in the statement of activities, but not in the fund statements

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Change in Net Position of Primary Government - Full Accrual Basis

	\$ (50,028)
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The accompanying notes are an integral part of these financial statements.
 See Independent Auditor's Report.

Financial Statements

NORTH CENTRAL KANSAS LIBRARIES SYSTEM
Manhattan, Kansas
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

Note 1: Summary of Significant Accounting Policies

Reporting Entity

The North Central Kansas Libraries System (the Libraries System) is a municipal entity established by the State of Kansas and governed by an appointed board. The Libraries System is primarily funded through tax levies, grants, and fees. Revenue is used to assist participating libraries in staffing and providing programs and services. The accompanying general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity.

The financial reporting entity of the Libraries System is comprised of itself as the primary government and any component units. Component units of the governmental entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading or incomplete. Based on the application of the criteria above, there are no component units.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Libraries System's basic financial statements include both government-wide (reporting the Libraries System as a whole) and fund financial statements (reporting the Libraries System's major funds).

Government-wide Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. For the most part, the effect of interfund activity has been removed from the statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net position includes and recognizes all long-term assets and receivables as well as long-term liabilities and obligations. The Libraries System's net assets are reported in three parts-invested in capital assets; restricted net assets; and unrestricted net assets.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to library patrons who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues and are reported instead as general revenue.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

NORTH CENTRAL KANSAS LIBRARIES SYSTEM
Manhattan, Kansas
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

Note 1: Summary of Significant Accounting Policies (Continued)
Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)
Fund Financial Statements

The Libraries System reports the following major governmental funds:

The General Fund is the Libraries System's primary operating fund. It accounts for all financial resources of the Libraries System, except those required to be accounted for in another fund.

The Employee Benefits Fund is a special revenue fund used to account for all employee benefits of the Libraries System.

The State Aid Fund is a special revenue fund used to account for state support and items to support operation of the Libraries System.

The other aggregate non-major funds of the Libraries System account for various grants and other resources.

Budgetary Information

Kansas statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Prior to July 1, the Librarian submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to August 25, the budget is legally enacted.
3. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
4. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles except that encumbrances are shown as expenditures. Budgetary comparisons for the General and Special Revenue Funds are presented as required by the State of Kansas; that is, including encumbrances as expenditures.

Cash and Cash Equivalents

The Libraries System has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments of three months or less when acquired.

Capital Assets

Capital assets are defined by the Libraries System as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at cost. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Furniture and equipment	5 -10 years
Vehicles	5 years
Software	3 years

NORTH CENTRAL KANSAS LIBRARIES SYSTEM
Manhattan, Kansas
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

Note 1: Summary of Significant Accounting Policies (Continued)

Compensated Absences

It is the Libraries System's policy to permit employees to accumulate earned, but unused sick and vacation benefits. There is no liability for unpaid accumulated sick leave since the Libraries System does not have a policy to pay any amounts when employees separate from service with the Libraries System. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund - General Fund only for employee terminations as of year-end.

Taxes Receivable

Taxes receivable consist of amounts levied for 2013 as part of the 2013 budget. As the amounts cannot be used until the year for which they are levied, the receivable is offset by a corresponding deferred revenue. This deferred revenue will be recognized in 2013 when the taxes are received.

Fund Balances - Governmental Funds

The Libraries System elected to implement GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in calendar year 2011. In the fund financial statements, governmental funds report the following classifications of fund balance:

- Restricted - includes amounts restricted by external sources (creditors, grantors, contributors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Assigned - includes amounts that the Libraries System intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. According to the Libraries System's policy, amounts may be assigned by the Director under the authorization of the Libraries System's board of directors.
- Unassigned - includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Libraries System considers restricted funds to have been sent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Libraries System considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Libraries System's board of directors has provided otherwise in its commitment or assignment actions.

Net Assets

Net assets restricted by grantor are restricted for use in accordance with grant agreements. Net assets restricted by tax levy are restricted to payment of wages and benefits.

The Libraries System's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Note 2: Deposits and Investments

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

NORTH CENTRAL KANSAS LIBRARIES SYSTEM
 Manhattan, Kansas
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2012

Note 2: Deposits and Investments (Continued)

K.S.A. 12-1675 limits the Libraries System'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 Libraries System has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the Libraries System 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 Libraries System's deposits may not be returned to it. State statutes require the Libraries System's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%.

At December 31, 2012, the Libraries System's carrying amount of deposits was \$280,093 and the bank balance was \$287,161. The bank balance was held by one bank resulting in a concentration of credit risk. The FDIC insurance insured up to \$285,694; however, the remaining balance of \$1,467 was uninsured at December 31, 2012.

Note 3: Capital Assets

Capital asset activity for the year ended December 31, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets being depreciated				
Furniture and equipment	\$ 146,193	\$ -	\$ -	\$ 146,193
Vehicles	60,900	31,689	(19,693)	72,896
Software	1,780	-	-	1,780
Total	<u>\$ 208,873</u>	<u>\$ 31,689</u>	<u>\$ (19,693)</u>	<u>\$ 220,869</u>
Less: Accumulated depreciation				
Furniture and equipment	\$ (134,221)	\$ (2,626)	\$ -	\$ (136,847)
Vehicles	(44,472)	(8,295)	10,503	(42,264)
Software	(1,482)	(297)	-	(1,779)
Total	<u>\$ (180,175)</u>	<u>\$ (11,218)</u>	<u>\$ 10,503</u>	<u>\$ (180,890)</u>
Governmental Activities Capital Assets - Net	<u>\$ 28,698</u>	<u>\$ 20,471</u>	<u>\$ (9,190)</u>	<u>\$ 39,979</u>

Note 4: Defined Benefit Pension Plan

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

NORTH CENTRAL KANSAS LIBRARIES SYSTEM
 Manhattan, Kansas
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2012

Note 4: Defined Benefit Pension Plan (Continued)

Funding Policy. K.S.A 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rate. 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 Service 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: Long-Term Obligation Activity

Changes in long-term obligations for the year ended December 31, 2012 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Compensated absences	\$ 24,298	\$ -	\$ (788)	\$ 23,510

Compensated absences are paid from the General Fund.

Note 6: Interfund Transfers to/from Other Funds

During the course of normal operations, the Libraries System has transactions between funds that consist principally of interest income earned in one fund and transferred to other funds. Interfund transactions are classified as "other financing sources (uses)" in the governmental funds; as "interfund transfers in" by the recipient fund, and "interfund transfers out" by the disbursing fund.

NORTH CENTRAL KANSAS LIBRARIES SYSTEM
 Manhattan, Kansas
BUDGETARY COMPARISON SCHEDULE - GENERAL AND EMPLOYEE BENEFITS FUNDS
 For the Year Ended December 31, 2012

	General Fund			Employee Benefits		
	Budget	Actual	Favorable (Unfavorable) Variance	Budget	Actual	Favorable (Unfavorable) Variance
REVENUE						
Taxes	\$ 622,811	\$ 683,704	\$ 60,893	\$ 107,554	\$ 121,779	\$ 14,225
Interest income	1,000	2,714	1,714	-	-	-
Contracting libraries	8,890	8,130	-	-	-	-
Service contracts	5,000	4,481	(519)	-	-	-
Reimbursements	-	625	625	-	-	-
Total Revenue	\$ 637,701	\$ 699,654	\$ 62,713	\$ 107,554	\$ 121,779	\$ 14,225
EXPENDITURES						
Salaries	\$ 535,000	\$ 431,569	\$ 103,431	\$ -	\$ -	\$ -
Books and materials	59,800	10,314	49,486	-	-	-
Continuing education grant	4,500	4,357	143	-	-	-
Service grants	112,200	143,324	(31,124)	-	-	-
Technology grant	20,000	-	20,000	-	-	-
Telecommunications	5,100	2,477	2,623	-	-	-
Supplies	16,000	13,050	2,950	-	-	-
Travel/Staff development	26,800	56,569	(29,769)	-	-	-
Postage and freight	26,000	-	26,000	-	-	-
Professional/Contractual	54,700	68,789	(14,089)	-	-	-
Equipment and maintenance	9,500	8,090	1,410	-	-	-
Employee benefits	-	-	-	175,000	154,979	20,021
Capital reserve	5,000	-	5,000	-	-	-
Total Expenditures	\$ 874,600	\$ 738,539	\$ 136,061	\$ 175,000	\$ 154,979	\$ 20,021
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (236,899)	\$ (38,885)	\$ 198,774	\$ (67,446)	\$ (33,200)	\$ 34,246
FUND BALANCE - BEGINNING OF YEAR	236,899	-	-	67,446	95,130	-
FUND BALANCE - END OF YEAR	\$ -	\$ (38,885)	\$ -	\$ -	\$ 61,930	\$ -

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

Supplemental Information

NORTH CENTRAL KANSAS LIBRARIES SYSTEM
 Manhattan, Kansas
BUDGETARY COMPARISON SCHEDULE - BUDGET-TO-GAAP RECONCILIATION
 For the Year Ended December 31, 2012

Note A - Explanation of Differences between Total Revenues and Expenditures - Budgetary Basis and Total Revenues and Expenditures - GAAP Basis

	General Fund	Employee Benefit Fund
Total Revenues - Budgetary Basis as reported on the Budgetary Comparison Schedule	\$ 699,654	\$ 121,779
<p>Revenues are recognized in the year cash is received for budgetary purposes, but in the year measurable and available for financial reporting (GAAP) purposes. Revenues are considered available for GAAP purposes if collected within sixty days after year-end.</p>		
Revenues derived from accounts receivable at December 31, 2012	-	-
Revenues derived from donated art work during the current year	-	-
Revenues derived from donated children's items during the current year	-	-
Revenues derived from donated equipment during the current year	-	-
Total Revenues - GAAP Basis as reported on the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances	\$ 699,654	\$ 121,779
Total Expenditures - Budgetary Basis as reported on the Budgetary Comparison Schedule	\$ 738,539	\$ 154,979
<p>Expenditures include disbursements, accounts payable, and encumbrances for budgetary purposes. For financial reporting (GAAP) purposes expenditures are recorded when the related fund liability is incurred, regardless of the need for present or future cash outlay</p>		
Expenditures derived from donated art work during the current year	-	-
Expenditures derived from donated children's items during the current year	-	-
Expenditures derived from donated equipment during the current year	-	-

(continued)

Supplemental Information

NORTH CENTRAL KANSAS LIBRARIES SYSTEM

Manhattan, Kansas

BUDGETARY COMPARISON SCHEDULE - BUDGET-TO-GAAP RECONCILIATION (CONTINUED)

For the Year Ended December 31, 2012

Note A - Explanation of Differences between Total Revenues and Expenditures - Budgetary Basis and Total Revenues and Expenditures - GAAP Basis (Continued)

	<u>General Fund</u>	<u>Employee Benefit Fund</u>
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting (GAAP) purposes		
Encumbrances at December 31, 2011	-	-
Encumbrances at December 31, 2012	-	-
Total Expenditures - GAAP Basis as reported on the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances	<u>\$ 738,539</u>	<u>\$ 154,979</u>

Supplemental Information