

**BERBERICH TRAHAN & CO., P.A.**

*Certified Public Accountants*

# TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

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**BASIC FINANCIAL STATEMENTS**  
WITH SUPPLEMENTARY INFORMATION  
**YEAR ENDED DECEMBER 31, 2008**

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

BASIC FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION

Year Ended December 31, 2008

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## INDEPENDENT AUDITORS' REPORT

The Board of Trustees  
Topeka and Shawnee County Public Library:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Topeka and Shawnee County Public Library (the Library), as of and for the year ended December 31, 2008, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions. The financial statements of the Library Foundation were not audited in accordance with *Government Auditing Standards*.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Topeka and Shawnee County Public Library, as of December 31, 2008, and the respective changes in financial position and the budgetary comparisons for the general fund and employee benefit fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2009 on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 13 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Topeka and Shawnee County Public Library's basic financial statements. The supplementary information, including combining nonmajor fund financial statements and budgetary comparisons, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Berberich Trahan & Co., P.A.*

April 13, 2009

## TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the Topeka and Shawnee County Public Library (Library), we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal year ended December 31, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the Library's Financial Statements, which begin on page 14.

This discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the Library's financial activity, (3) identify changes in the Library's financial position (its ability to address the next and subsequent year challenges), (4) identify any material deviations from the financial plan (the approved budget), and (5) identify individual fund issues or concerns.

#### GENERAL INFORMATION

The Topeka and Shawnee County Public Library is a municipal corporation governed by an appointed ten member board. As required by accounting principles generally accepted in the United States of America, these financial statements present the Library and its component unit, an entity for which the government is considered financially accountable. A discretely presented component unit is reported in a separate column in the basic financial statements to emphasize it is legally separate from the government. The discretely presented component unit has a December 31 year end.

*Discretely Presented Component Unit.* The Library Foundation (Foundation) was organized to help secure financial resources to ensure the continued growth, enhancement and development of the Topeka and Shawnee County Public Library's collections, programs, services, technology, and physical facilities by cultivating and soliciting philanthropic support, by providing conscientious stewardship of assets entrusted to it, and by encouraging appropriate community partnerships. The Foundation has the potential to impose a financial benefit/burden on the Library.

Complete financial statements of the Library Foundation are available from the Library Foundation administrative office.

#### FINANCIAL HIGHLIGHTS

- The overall condition of all funds remains strong for the Library.
- The Library's total combined net assets were \$19,624,363 at December 31, 2008. Of this amount, \$4,601,418 (unrestricted net assets) may be used to meet the Library's ongoing obligations.

- During the year, the Library's expenses were \$1,872,232 more than the \$16,242,092 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$2,650,309.

### USING THIS AUDIT REPORT

This audit report consists of a series of financial statements and notes to those statements. The focus of these financial statements is on both the Library as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison and enhance the Library's accountability.

### Government-Wide Financial Statements

#### *The Statement of Net Assets and Statement of Activities*

The government-wide financial statements are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business. The focus of the Statement of Net Assets presents information on all of the Library's assets and liabilities, with the difference between the two reported as net assets. This statement combines and consolidates governmental fund's current financial resources (short-term spendable resources) with capital assets and long-term obligations using the accrual basis of accounting. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The Statement of Activities presents information showing how the Library's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences).

The government-wide financial statements describe functions of the Library that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Library reflect the Library's basic services, including materials collections, reference and readers' services, programming, outreach services and public computers.

### Reporting the Library's Major Funds

#### *Fund Financial Statements*

Traditional users of governmental financial statements will find the Fund Financial Statements to be more familiar. The focus of the presentation is on major funds rather than fund types. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### *Governmental Funds*

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Library adopts an annual budget for its general fund, employee benefit fund, debt service fund and state aid fund. A budgetary comparison schedule has been provided elsewhere in this report to demonstrate compliance with the budget. The budgetary comparisons can be found on pages 22-24 and pages 49-50 of this report.

### *Notes to the Financial Statements*

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-46 of this report.

### FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE

In accordance with GASB Statement No. 34 and because prior year information is available, the Library is presenting a comparative analysis of government-wide information.

# GOVERNMENT-WIDE STATEMENTS

## Statement of Net Assets

### STATEMENT OF NET ASSETS

Comparative as of December 31, 2008 and December 31, 2007

	2008	2007	Change
<b>Assets:</b>			
Cash and cash equivalents	\$ 8,259,412	\$ 9,501,311	\$ (1,241,899)
Receivables:			
Taxes and assessments	12,698,853	12,640,003	58,850
Other	32,952	-	32,952
Prepays	99,546	99,763	(217)
Due from component unit	237,703	301,575	(63,872)
Due from related party	17,799	6,132	11,667
Endowment securities	141,014	191,105	(50,091)
Split interest agreements	122,000	148,000	(26,000)
Capital assets not being depreciated:			
Land	938,029	938,029	-
Works of art	1,741,511	1,708,580	32,931
Equipment in progress	-	18,375	(18,375)
Capital assets net of accumulated depreciation:			
Buildings and improvements	22,047,709	22,695,039	(647,330)
Equipment	1,646,735	1,737,467	(90,732)
Books and collections	2,363,182	2,169,802	193,380
<b>Total assets</b>	<b>50,346,445</b>	<b>52,155,181</b>	<b>(1,808,736)</b>
<b>Liabilities:</b>			
Accrued payroll	370,060	313,363	56,697
Accrued interest payable	201,195	216,462	(15,267)
Accrued net OPEB obligation	1,089,574	-	1,089,574
Unearned revenue	12,836,180	12,779,783	56,397
Long term liabilities:			
Due within one year	1,200,122	1,176,899	23,223
Due in more than one year	15,024,951	16,172,079	(1,147,128)
<b>Total liabilities</b>	<b>30,722,082</b>	<b>30,658,586</b>	<b>63,496</b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	12,977,166	12,362,292	614,874
Restricted for:			
Expendable:			
Debt service	1,313,652	1,327,345	(13,693)
Other purposes	368,465	385,273	(16,808)
Nonexpendable	363,662	478,341	(114,679)
Unrestricted	4,601,418	6,943,344	(2,341,926)
<b>Total net assets</b>	<b>\$ 19,624,363</b>	<b>\$ 21,496,595</b>	<b>\$ (1,872,232)</b>



The Library's combined net assets decreased by \$1,872,232 from \$21,496,595 to \$19,624,363 which means the Library is economically worse off at December 31, 2008 than December 31, 2007. New with this report under long-term liabilities is Accrued net OPEB obligation for \$1,089,574 which is a result of the Library's implementation of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45 requires that state and local governments recognize their financial commitments for post-employment benefits, such as retiree health insurance, to reflect the accrued long-term costs. Until the publication of the standard, most governments reported their obligations for retiree health insurance on a pay-as-you-go basis.

#### Statement of Activities

The following table summarizes the revenue and expenses of the Library's activities for 2007 and 2008.

### STATEMENT OF ACTIVITIES

For the Years Ended December 31, 2008 and December 31, 2007

	2008	2007	Change
Program Revenues:			
Charges for services	\$ 504,797	\$ 400,186	\$ 104,611
Operating grants and contributions	797,637	760,825	36,812
Capital grants and contributions	11,486	396,025	(384,539)
General Revenues:			
Property taxes	14,715,373	15,328,955	(613,582)
Net investment income	212,799	689,280	(476,481)
Total revenues	<u>\$ 16,242,092</u>	<u>\$ 17,575,271</u>	<u>\$ (1,333,179)</u>
Function/Program Expenses:			
Library services	\$ 17,480,206	\$ 15,325,718	\$ 2,154,488
Interest on long-term debt	634,118	669,827	(35,709)
Total expenses	<u>18,114,324</u>	<u>15,995,545</u>	<u>2,118,779</u>
Change in net assets	(1,872,232)	1,579,726	(3,451,958)
Net Assets - Beginning	21,496,595	19,916,869	1,579,726
Net Assets - Ending	<u>\$ 19,624,363</u>	<u>\$ 21,496,595</u>	<u>\$ (1,872,232)</u>

The Library is primarily funded by a property tax levied on all property located within Shawnee County except for property located within Rossville township and Silver Lake township. The Library is not subject to property tax limits that limit annual increases in the total tax levy. However, the Library Board strives to limit the levy increase.

As reported in the Statement of Activities on page 16 the cost of all of our governmental activities in 2008 was \$18,114,324, an increase of \$2,118,779 (13%) over the 2007 total cost of \$15,995,545.

- The amount that our taxpayers paid for these activities through taxes was \$14,715,373, a decrease of \$613,582 (4%) below 2007.

- Some of the cost (\$504,797) was paid by those who directly benefited from the services.
- Some of the cost (\$809,123) was paid by other governments and organizations who subsidized certain programs with grants and contributions.

#### MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

The Library's budgets are prepared according to Kansas law. The budgeted major funds are the General Fund and the Employee Benefit Fund.

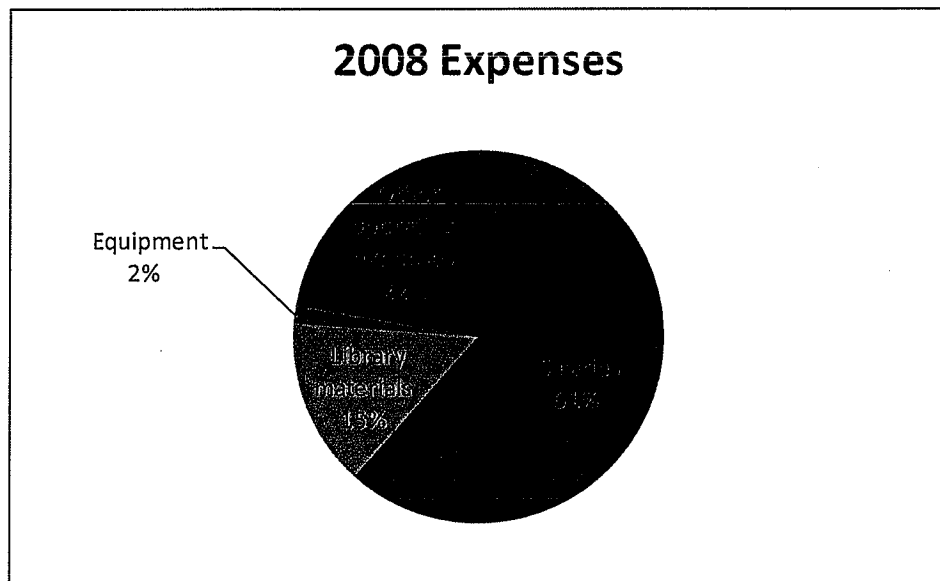
During the fiscal year ended December 31, 2008, the Library did not amend any of the major governmental funds' budgets.

#### General Fund

#### STATEMENT OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL

Year ended December 31, 2008

		2008		
		Budget	Actual	Variance
Revenue:				
Property taxes		\$ 10,209,921	\$ 9,719,182	\$ (490,739)
Delinquent taxes		-	173,111	173,111
Motor vehicle taxes		1,305,916	1,288,885	(17,031)
Payment in lieu of taxes		50,850	48,755	(2,095)
Intergovernmental revenues		93,770	160,421	66,651
Investment income		250,000	192,018	(57,982)
Miscellaneous		300,000	387,070	87,070
Receipts from component unit		-	17,547	17,547
Total revenues		<u>\$ 12,210,457</u>	<u>\$ 11,986,989</u>	<u>\$ (223,468)</u>
Expenditures:				
Salaries		\$ 7,819,874	\$ 7,621,029	\$ 198,845
Library materials		1,865,000	1,813,418	51,582
Equipment		491,050	194,810	296,240
Other operating expenses		3,182,583	2,753,356	429,227
Total expenditures		<u>\$ 13,358,507</u>	<u>\$ 12,382,613</u>	<u>\$ 975,894</u>



The general fund actual revenue for 2008 was \$11,986,989; \$223,468 below the budgeted amount of \$12,210,457. 95% of all general fund revenues came from taxes.

The actual expenditures of the general fund for 2008 were \$12,382,613; \$975,894 below the original budget estimate of \$13,358,507. The percentage breakdown for general fund expenditures was: salaries 61%; library materials 15%; equipment 2%; other operating expenses 22%.

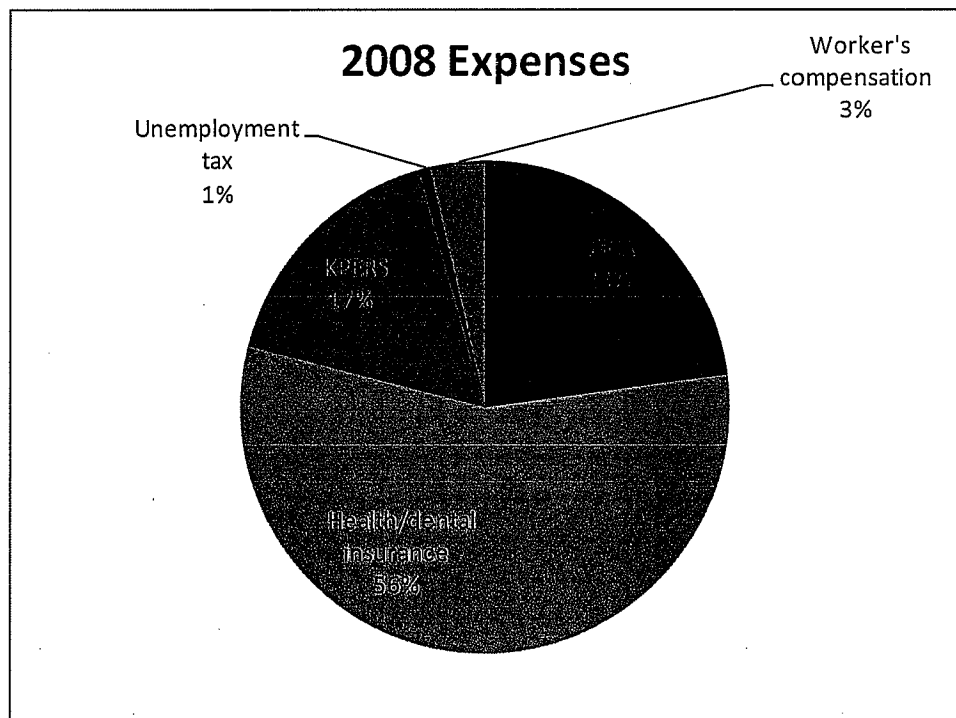
The fund balance for the general fund at the end of 2008 was \$2,650,309 as compared to an ending fund balance on December 31, 2007 of \$3,412,137.

# Employee Benefit Fund

## STATEMENT OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL

Year ended December 31, 2008

		2008		
		Budget	Actual	Variance
<b>Revenues:</b>				
Ad valorem taxes		\$ 1,569,259	\$ 1,494,809	\$ (74,450)
Delinquent taxes		-	35,127	35,127
Motor vehicle taxes		267,729	263,292	(4,437)
Payments in lieu of taxes		10,429	7,497	(2,932)
Intergovernmental revenues		19,231	65,703	46,472
Miscellaneous		90,000	105,092	15,092
Total Revenues		<u>\$ 1,956,648</u>	<u>\$ 1,971,520</u>	<u>\$ 14,872</u>
<b>Expenditures:</b>				
FICA		\$ 613,615	\$ 569,586	\$ 44,029
Health/dental insurance		1,449,171	1,399,708	49,463
KPERS		453,179	415,430	37,749
Revitalization rebates		27,415	-	27,415
Unemployment tax		16,844	16,629	215
Worker's compensation		99,449	90,670	8,779
Total Expenditures		<u>\$ 2,659,673</u>	<u>\$ 2,492,023</u>	<u>\$ 167,650</u>



The employee benefit fund actual revenue for 2008 was \$1,971,520; \$14,872 above the budgeted amount of \$1,956,648. 94% of all employee benefit fund revenues came from taxes.

The actual expenditures of the employee benefit fund for 2008 were \$2,492,023; \$167,650 below the original budget estimate of \$2,659,673. The percentage breakdown for employee benefit fund expenditures was: FICA 23%; health/dental insurance 56%; KPERS 17%; unemployment tax 1%; worker's compensation 3%.

The fund balance for the employee benefit fund at the end of 2008 was \$589,601 as compared to an ending fund balance on December 31, 2007 of \$1,110,554.

#### GOVERNMENTAL FUNDS REVENUES

The total governmental fund revenues of the Library for 2008 were \$16,256,606; compared to total governmental fund revenues for 2007 of \$17,526,896. Of the total revenues, \$14,715,373 or 90.5% was generated from taxes and assessments; compared to \$15,328,955 or 87.5% generated from taxes and assessments in 2007.

#### GOVERNMENTAL FUNDS EXPENDITURES

	2008		2007	
	Total	% of Total	Total	% of Total
General Fund	\$ 12,748,817	72%	\$ 11,828,278	69%
Employee Benefit Fund	2,492,473	14%	2,340,984	14%
Capital Improvement Fund	-	0%	42,574	0%
Bond & Interest Fund	1,794,385	10%	1,795,048	11%
Other Governmental Funds	586,635	3%	1,071,020	6%
	<u>\$ 17,622,310</u>		<u>\$ 17,077,904</u>	

In reviewing the chart above, you will see that the general fund comprises 72% of all the expenditures within the governmental funds; 3% more than in 2007. Total governmental fund expenditures amounted to \$17,622,310; an increase of \$544,406 from the 2007 total of \$17,077,904.

#### GOVERNMENTAL FUNDS FUND BALANCES

	Total Revenues	Total Expenditures	Fund Balance 1/1/2008	Fund Balance 12/31/2008
General Fund	\$ 11,986,989	\$ 12,748,817	\$ 3,412,137	\$ 2,650,309
Employee Benefit	1,971,520	2,492,473	1,110,554	589,601
Capital Improvement	68,350	-	2,724,699	2,793,049
Bond & Interest	1,765,425	1,794,385	1,543,807	1,514,847
Other Govt Funds	464,322	586,635	855,546	733,233
	<u>\$ 16,256,606</u>	<u>\$ 17,622,310</u>	<u>\$ 9,646,743</u>	<u>\$ 8,281,039</u>

The governmental funds had a net loss in fund balance of \$1,365,704. The ending fund balance for all governmental funds was \$8,281,039. This fund balance will be used to fund future capital improvements, retire debt service and for maintenance of adequate cash flow.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 938,029	\$ -	\$ -	\$ 938,029
Works of art	1,708,580	32,931	-	1,741,511
Equipment in progress	18,375	-	(18,375)	-
Total capital assets, not being depreciated	2,664,984	32,931	(18,375)	2,679,540
Capital assets, being depreciated				
Building and improvements	28,022,197	54,338	-	28,076,535
Equipment	4,635,614	347,933	(103,766)	4,879,781
Books and collections	9,874,812	1,540,804	(1,000,062)	10,415,554
Total capital assets, being depreciated	42,532,623	1,943,075	(1,103,828)	43,371,870
Less accumulated depreciation for:				
Buildings and improvements	(5,327,158)	(701,668)	-	(6,028,826)
Equipment	(2,898,147)	(433,513)	98,614	(3,233,046)
Books and collections	(7,705,010)	(967,410)	620,048	(8,052,372)
Total accumulated depreciation	(15,930,315)	(2,102,591)	718,662	(17,314,244)
Total capital assets, being depreciated, net	26,602,308	(159,516)	(385,166)	26,057,626
Capital assets, net	\$29,267,292	\$ (126,585)	\$ (403,541)	\$28,737,166

At the end of 2008 the Library had \$46.1 million invested in land, works of art, building and improvements, equipment and books and collections. Of this amount \$17.3 million in depreciation has been taken over the years. Total acquisitions for the year were \$1.9 million and depreciation was \$2.1 million.

There were no major capital asset events during the 2008 fiscal year.

### Long-Term Debt

At the end of fiscal year 2008, the Library had \$15,760,000 in bonds outstanding. More detailed information about the Library's debt is presented in the Notes to Basic Financial Statements on page 41 of this report.

## FACTORS BEARING ON THE LIBRARY'S FUTURE

At the time that these financial statements were prepared and audited, the Library was aware of the following items that could have significant impact on its finances in the future:

- Interest rates – After reaching a new high in FY 2007 of \$408,861 for the general fund, \$103,241 for the debt service fund, and \$135,686 for the capital improvement fund, interest income was down to \$192,018 for the general fund, \$54,405 for the debt service fund, and \$68,350 for the capital improvement fund in FY 2008. This downward trend is continuing in FY 2009 with projections of \$50,000 for the general fund, \$2,500 for the debt service fund, and \$4,000 for the capital improvement fund.

- Intergovernmental revenues (slider) – This reimbursement is from the State to cover the loss of tax revenue due to the machinery and equipment tax exemption, the railroad equipment tax exemption, and the telecommunication tax exemption passed during the 2006 Legislative session. The State reimbursement was set at 90% in 2008, 70% in 2009, 50% in 2010, 30% in 2011, and 10% in 2012. The 2009 distribution was cut by an additional 6.5% and broken into two distributions, March 1 and June 1. If there are additional cuts in the distribution amounts it will have a negative impact on future projected revenue.
- There are a number of capital projects related to infrastructure or service delivery that will be coming up in the next five years, i.e., youth portals, ILS upgrade, vehicle replacements, telephone system, RFID conversion, materials handling system upgrade.

#### REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Library's finances and to demonstrate the Library's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Nancy Watkins  
Chief Financial Officer  
Topeka and Shawnee County Public Library  
1515 SW 10<sup>th</sup> Avenue, Topeka, KS 66604-1374  
Telephone (785) 580-4482, Fax (785) 580-4496  
Email – [nwatkins@tscpl.org](mailto:nwatkins@tscpl.org)

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

STATEMENT OF NET ASSETS

December 31, 2008

	Primary Government Governmental Activities	Component Unit Library Foundation
Assets:		
Cash and cash equivalents	\$ 8,259,412	\$ 72,656
Receivables:		
Taxes and assessments	12,698,853	-
Accrued interest	-	10,396
Pledges, net of discount of \$ 11,396	-	100,439
Other	32,952	-
Prepays	99,546	-
Due from component unit	237,703	-
Due from related party	17,799	-
Endowment securities	141,014	-
Investments	-	1,097,943
Split interest agreements	122,000	-
Restricted assets:		
Temporarily restricted:		
Investments	-	1,614,759
Permanently restricted:		
Investments	-	1,318,207
Capital assets not being depreciated:		
Land	938,029	-
Works of art	1,741,511	-
Capital assets net of accumulated depreciation:		
Buildings and improvements	22,047,709	-
Equipment	1,646,735	4,804
Books and collections	2,363,182	-
Total assets	50,346,445	4,219,204
Liabilities:		
Accounts payable	-	955
Accrued payroll	370,060	-
Accrued interest payable	201,195	-
Accrued net OPEB obligation	1,089,574	-
Due to primary government	-	237,703
Unearned revenue	12,836,180	-
Charitable gift annuities	-	639
Long-term liabilities:		
Due within one year	1,200,122	-
Due in more than one year	15,024,951	-
Total liabilities	\$ 30,722,082	\$ 239,297

(Continued)



TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

STATEMENT OF NET ASSETS  
(Continued)

December 31, 2008

	Primary Government Governmental Activities	Component Unit Library Foundation
Net assets:		
Invested in capital assets, net of related debt	\$ 12,977,166	\$ 4,804
Restricted for:		
Expendable:		
Debt service	1,313,652	-
Other purposes	368,465	1,657,754
Nonexpendable	363,662	1,153,304
Unrestricted	4,601,418	1,164,045
Total net assets	\$ 19,624,363	\$ 3,979,907

See accompanying notes to basic financial statements.

# TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

## STATEMENT OF ACTIVITIES

Year Ended December 31, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Component Unit Library Foundation
Primary government:						
Governmental activities:						
Library services	\$ 17,480,206	\$ 504,797	\$ 649,171	\$ 11,486	\$ (16,314,752)	
Interest on long-term debt	634,118	-	-	-	(634,118)	
Receipts from component unit	-	-	148,466	-	148,466	
Total primary government	<u>\$ 18,114,324</u>	<u>\$ 504,797</u>	<u>\$ 797,637</u>	<u>\$ 11,486</u>	<u>(16,800,404)</u>	
Component unit:						
Library Foundation	<u>\$ 435,165</u>	<u>\$ -</u>	<u>\$ 155,062</u>	<u>\$ -</u>		<u>\$ (280,103)</u>
General revenues:						
Property taxes					14,715,373	-
Net investment income (loss)					212,799	(5,776)
Unrealized losses on investments					-	(1,223,349)
Café fees					-	22,750
Change in value of split interest agreements					-	(711)
Additions to permanent endowments, net of amortization of discount					-	26,842
Total general revenues and additions to permanent endowments					<u>14,928,172</u>	<u>(1,180,244)</u>
Change in net assets					<u>(1,872,232)</u>	<u>(1,460,347)</u>
Net assets - beginning					21,496,595	5,440,254
Net assets - ending					<u>\$ 19,624,363</u>	<u>\$ 3,979,907</u>

See accompanying notes to basic financial statements.

# TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

## BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2008

General

### ASSETS

Cash and cash equivalents	\$ 2,858,783
Receivables:	
Taxes and assessments	9,333,792
Other	32,952
Prepays	99,546
Due from component unit	13,058
Due from related party	16,030
Endowment securities	-
Total assets	\$ 12,354,161

### LIABILITIES AND FUND BALANCES

Accrued payroll	\$ 370,060
Deferred revenue	9,333,792
Unearned revenue	-
Total liabilities	9,703,852
Fund balances:	
Reserved for:	
Encumbrances	173,282
Prepays	99,546
Perpetual care	-
Unreserved	2,377,481
Unreserved, reported as nonmajor:	
Special revenue funds	-
Total fund balances	2,650,309
Total liabilities and fund balances	\$ 12,354,161

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

    Bonds payable

    Accrued interest

    Accrued net OPEB obligation

    Compensated absences

Net assets of governmental activities

See accompanying notes to basic financial statements.

Employee Benefit	Capital Improvement	Debt Service - Bond and Interest	Other Governmental Funds	Total Governmental Funds
\$ 587,832	\$ 2,793,049	\$ 1,514,847	\$ 504,901	\$ 8,259,412
1,995,797	-	1,369,264	-	12,698,853
-	-	-	-	32,952
-	-	-	-	99,546
-	-	-	224,645	237,703
1,769	-	-	-	17,799
-	-	-	141,014	141,014
<u>\$ 2,585,398</u>	<u>\$ 2,793,049</u>	<u>\$ 2,884,111</u>	<u>\$ 870,560</u>	<u>\$ 21,487,279</u>
\$ -	\$ -	\$ -	\$ -	\$ 370,060
1,995,797	-	1,369,264	-	12,698,853
-	-	-	137,327	137,327
<u>1,995,797</u>	<u>-</u>	<u>1,369,264</u>	<u>137,327</u>	<u>13,206,240</u>
50	-	-	15,246	188,578
-	-	-	-	99,546
-	-	-	363,662	363,662
589,551	2,793,049	1,514,847	-	7,274,928
-	-	-	354,325	354,325
<u>589,601</u>	<u>2,793,049</u>	<u>1,514,847</u>	<u>733,233</u>	<u>8,281,039</u>
<u>\$ 2,585,398</u>	<u>\$ 2,793,049</u>	<u>\$ 2,884,111</u>	<u>\$ 870,560</u>	
				28,737,166
				122,000
			\$ (15,760,000)	
			(201,195)	
			(1,089,574)	
			<u>(465,073)</u>	<u>(17,515,842)</u>
				<u>\$ 19,624,363</u>

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS

Year Ended December 31, 2008

	<u>General</u>
Revenues:	
Taxes and assessments	\$ 11,229,933
Intergovernmental revenues	160,421
Contributions	-
Investment income (loss)	192,018
Miscellaneous	387,070
Receipts from component unit	<u>17,547</u>
Total revenues	<u>11,986,989</u>
Expenditures:	
Library services	11,028,997
Capital outlay	1,719,820
Debt service:	
Bond principal payment	-
Interest and fiscal charges	<u>-</u>
Total expenditures	<u>12,748,817</u>
Net change in fund balances	(761,828)
Fund balances, beginning of year	<u>3,412,137</u>
Fund balances, end of year	<u><u>\$ 2,650,309</u></u>

See accompanying notes to basic financial statements.

<u>Employee Benefit</u>	<u>Capital Improvement</u>	<u>Debt Service - Bond and Interest</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,800,725	\$ -	\$ 1,684,715	\$ -	\$ 14,715,373
65,703	-	26,305	365,798	618,227
-	-	-	56,944	56,944
-	68,350	54,405	(101,974)	212,799
105,092	-	-	12,635	504,797
-	-	-	130,919	148,466
<u>1,971,520</u>	<u>68,350</u>	<u>1,765,425</u>	<u>464,322</u>	<u>16,256,606</u>
2,492,473	-	-	360,310	13,881,780
-	-	-	226,325	1,946,145
-	-	1,145,000	-	1,145,000
-	-	649,385	-	649,385
<u>2,492,473</u>	<u>-</u>	<u>1,794,385</u>	<u>586,635</u>	<u>17,622,310</u>
(520,953)	68,350	(28,960)	(122,313)	(1,365,704)
<u>1,110,554</u>	<u>2,724,699</u>	<u>1,543,807</u>	<u>855,546</u>	<u>9,646,743</u>
<u>\$ 589,601</u>	<u>\$ 2,793,049</u>	<u>\$ 1,514,847</u>	<u>\$ 733,233</u>	<u>\$ 8,281,039</u>

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2008

Net change in fund balances - total governmental funds		\$ (1,365,704)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount which depreciation (\$ 2,102,591) exceeded capital outlays (\$ 1,946,145) in the current period.		(156,446)
The net effect of various miscellaneous transactions involving capital assets is to decrease net assets.		
Loss on disposal of capital assets	\$ (385,165)	
Donated capital assets	<u>11,486</u>	(373,679)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(26,000)
Repayment of bond principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net assets.		1,145,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Accrued interest	15,267	
Accrued net OPEB obligation	(1,089,574)	
Compensated absences	<u>(21,096)</u>	<u>(1,095,403)</u>
Change in net assets of governmental activities		<u>\$ (1,872,232)</u>

See accompanying notes to basic financial statements.

# TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)

### General Fund

Year Ended December 31, 2008

	Original and Final Budget	Actual	Variance with Final Budget
Revenues:			
Ad valorem taxes	\$ 10,209,921	\$ 9,719,182	\$ (490,739)
Delinquent taxes	-	173,111	173,111
Motor vehicle tax	1,305,916	1,288,885	(17,031)
Payments in lieu of taxes	50,850	48,755	(2,095)
	<u>11,566,687</u>	<u>11,229,933</u>	<u>(336,754)</u>
Intergovernmental revenues	93,770	160,421	66,651
Investment income	250,000	192,018	(57,982)
Miscellaneous	300,000	387,070	87,070
Receipts from component unit	-	17,547	17,547
Total revenues	<u>12,210,457</u>	<u>11,986,989</u>	<u>(223,468)</u>
Expenditures:			
Library services:			
Automation support	143,500	279,000	(135,500)
Binding	4,000	4,405	(405)
Books and library materials	1,751,000	1,710,616	40,384
Conferences	120,600	87,839	32,761
Contracted - automation	191,100	141,273	49,827
Contracted - buildings/grounds	538,480	426,517	111,963
Contracted - office equipment	125,000	120,908	4,092
Contracted - professional	100,000	101,096	(1,096)
Databases	77,000	77,000	-
Employee assistance program	4,500	4,757	(257)
Furniture/equipment	491,050	194,810	296,240
Gallery	40,000	39,384	616
Human resources	20,000	11,552	8,448
Insurance	45,000	37,735	7,265
Memberships/dues	25,000	20,338	4,662
Mileage	8,000	5,911	2,089
Miscellaneous	90,000	10,384	79,616
Payments to other libraries	50,000	47,680	2,320
Periodicals	110,000	98,397	11,603
Postage	436,096	384,201	51,895
Printing	55,000	58,252	(3,252)
Programming	55,481	34,054	21,427
Public relations	40,000	37,360	2,640
Expenditures - forward	<u>\$ 4,520,807</u>	<u>\$ 3,933,469</u>	<u>\$ 587,338</u>

(Continued)



TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)

(Continued)

General Fund

Year Ended December 31, 2008

	Original and Final Budget	Actual	Variance with Final Budget
Expenditures - forward	\$ 4,520,807	\$ 3,933,469	\$ 587,338
Revitalization rebates	133,681	-	133,681
Salaries - auto allowance	4,800	5,292	(492)
Salaries - maintenance	632,439	565,254	67,185
Salaries - overtime	10,000	4,898	5,102
Salaries - shelvers	185,000	165,632	19,368
Salaries - security	243,910	258,404	(14,494)
Salaries - staff	6,743,620	6,621,549	122,071
Staff training	39,000	17,337	21,663
Supplies - building/maintenance	127,750	90,205	37,545
Supplies - office and library	132,500	144,749	(12,249)
Supplies - processing	65,000	61,336	3,664
Telephone	85,000	87,660	(2,660)
Utilities	365,000	369,080	(4,080)
Vehicle expense	70,000	57,748	12,252
Total expenditures	13,358,507	12,382,613	975,894
Excess (deficiency) of revenues over expenditures	\$ (1,148,050)	(395,624)	\$ 752,426
Fund balances, beginning of year		3,412,137	
Less encumbrances - beginning of year		(688,160)	
Add encumbrances - end of year		173,282	
Add cancellations of prior year encumbrances		148,674	
Fund balances, end of year		\$ 2,650,309	

See accompanying notes to basic financial statements.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)

Employee Benefit Fund

Year Ended December 31, 2008

	Original and Final Budget	Actual	Variance with Final Budget
Revenues:			
Ad valorem taxes	\$ 1,569,259	\$ 1,494,809	\$ (74,450)
Delinquent taxes	-	35,127	35,127
Motor vehicle tax	267,729	263,292	(4,437)
Payments in lieu of taxes	10,429	7,497	(2,932)
	1,847,417	1,800,725	(46,692)
Intergovernmental revenues	19,231	65,703	46,472
Miscellaneous	90,000	105,092	15,092
Total revenues	1,956,648	1,971,520	14,872
Expenditures:			
Library services	2,659,673	2,492,023	167,650
Excess (deficiency) of revenues over expenditures	\$ (703,025)	(520,503)	\$ 182,522
Fund balances, beginning of year		1,110,554	
Less encumbrances - beginning of year		(500)	
Add encumbrances - end of year		50	
Fund balances, end of year		\$ 589,601	

See accompanying notes to basic financial statements.

# TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2008

### 1 - Summary of Significant Accounting Policies

#### Reporting Entity

The Topeka and Shawnee County Public Library (the Library) is a municipal corporation governed by an appointed ten-member board. As required by accounting principles generally accepted in the United States of America, these financial statements present the Library and its component unit, an entity for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the basic financial statements to emphasize it is legally separate from the government. The discretely presented component unit has a December 31 year end.

*Discretely Presented Component Unit.* The Library Foundation (the Foundation) was organized to promote the continued growth, enhancement and development of library collections, programs, services, technology and physical facilities of the Library by encouraging and soliciting private philanthropic support. The Foundation has the potential to impose a financial benefit/burden on the Library.

Complete financial statements for the Foundation are available from the Foundation administrative office.

#### Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. The primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

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

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements (Continued)

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are 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 revenues 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the reporting period. Expenditures are recorded when the related fund liability is incurred as under accrual accounting; however, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Significant revenues which are considered susceptible to accrual include property taxes, interest, and certain state and federal grants and entitlements. Miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. While property taxes receivable are shown in the financial statements as assets of the Library, they are not recognized as revenue at year end because statutory provisions prohibit their use until the year for which they were raised and budgeted. Instead, they are offset by deferred revenue accounts.

# TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 1 - Summary of Significant Accounting Policies (Continued)

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Library; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and nearly irrevocable, i.e., revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt, or earlier if they meet the available and measurable criteria.

The Library reports the following major governmental funds:

General Fund is the principal operating fund of the Library and accounts for all unrestricted resources not accounted for in other funds.

Employee Benefit Fund is used for the purpose of paying the Library's share of any employee benefits.

Capital Improvement Fund is used for the cost of equipment and additions to the building and for the acquisition of land required for such addition, branch or parking facility for use by the patrons.

Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal, interest and other related costs of the Library's long-term debt.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as program revenues include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

# TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 1 - Summary of Significant Accounting Policies (Continued)

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

When both restricted and unrestricted resources are available for use, it is the Library's policy to use restricted resources first, then unrestricted resources as they are needed.

#### Pooled Cash and Investments

Cash and investments of the individual funds are combined to form a pool which is managed by the Chief Financial Officer. Each fund's equity in the pool is included in "cash and cash equivalents" in the financial statements. These pooled investments consist primarily of operating accounts and nonnegotiable certificates of deposit which are recorded at cost because they are not affected by market rate changes. Investment earnings, including interest income, are allocated to the funds based on each fund's participation in the pool.

#### Investments and Endowment Securities

Investments and endowment securities for the Library and its component unit are recorded at fair value based on quoted market prices.

#### Receivables

Receivables are carried at their original amount. Management records an allowance for doubtful accounts when considered necessary based on an analysis of the accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded as revenue when received. All amounts are anticipated to be collectible at December 31, 2008.

#### Capital Assets

Capital assets which include land, buildings and improvements, equipment, books and collections and works of art, are reported in the government-wide financial statements. Capital assets are defined as assets with an initial cost of more than \$ 50,000 for buildings and improvements, \$ 5,000 for vehicles and \$ 3,000 for all other assets and an estimated useful life of more than one year. All purchased capital assets are valued at historical cost where records are available and at an estimated historical cost where no such records exist. Donated capital assets are recorded at fair value at the date of donation.

# TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 1 - Summary of Significant Accounting Policies (Continued)

#### Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The Library's capital assets, as well as the component unit's assets, are depreciated using the straight-line method over the estimated useful lives of the capital assets. Works of art, which are deemed to be inexhaustible, i.e., assets whose economic life is used up so slowly that its useful life is extraordinarily long, are not depreciated. The estimated useful lives are:

Buildings and improvements	40 years
Equipment	5 to 15 years
Books and collections	5 years

#### Compensated Absences

The liability for compensated absences in the government-wide statements consists of unpaid, accumulated annual and sick leave balances. Under the terms of the Library's personnel policy, employees are granted vacation and sick leave in varying amounts depending upon employee classification and length of service. All regular full-time employees accrue sick leave at the rate of one day per month. Vacation is accumulated at the rate of 12 to 30 days per year depending upon the employee's length of service and classification. Typically, accumulated vacation in excess of a one year accrual is forfeited as of December 31 each year. Vacation is prorated for part-time employees. Employees retiring from or terminating their employment with the Library are eligible to receive payment for their accumulated vacation. Employees retiring from the Library are eligible to receive payment for a portion of their accumulated sick leave. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

#### Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

# TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 1 - Summary of Significant Accounting Policies (Continued)

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Budgetary Policy

Kansas statutes require that an annual operating budget be legally adopted for the general fund, employee benefit fund, debt service fund and state aid fund. A legal operating budget is not required for the capital improvement fund and certain special revenue funds. The statutes provide for the following 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 a local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
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.

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 budget amendments during 2008.

Under Kansas statutes management cannot amend the budget without approval of the governing body. However, the statutes permit transferring budgeted amounts between line items within an individual fund. Such statutes prohibit creating expenditures in excess of the total amount of the adopted budget of expenditures of individual funds.



# TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### 1 - Summary of Significant Accounting Policies (Continued)

#### Budgetary Policy (Continued)

All legal annual operating budgets are prepared using the cash basis of accounting, modified by the recording of encumbrances. Normally, revenues are recognized when cash is received (if not susceptible to accrual). 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 commitments, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year end. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute liabilities because the commitments will be honored during the subsequent years.

The Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds reports revenues and expenditures on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Encumbrances are not included as expenditures. The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual includes the general fund and the budgeted special revenue fund (employee benefit fund) and is prepared on the basis utilized in preparing the budget and, accordingly, includes encumbrances as expenditures.

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

#### Pending Governmental Accounting Standards Board Statement

At December 31, 2008, the Governmental Accounting Standards Board (GASB) had issued a statement not yet implemented by the Library. The statement that might impact the Library is as follows:

# TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 1 - Summary of Significant Accounting Policies (Continued)

#### Pending Governmental Accounting Standards Board Statement (Continued)

GASB Statement No. 51 *Accounting and Financial Reporting for Intangible Assets* was issued in June 2007. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets by enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The requirements of this Statement are effective for financial statements with periods beginning after June 15, 2009.

### 2 - Cash and Investments

*Credit risk.* Kansas State statutes authorize the Library, with certain restrictions, to deposit or invest in temporary notes, no-fund warrants, open accounts, time deposits, certificates of deposit, repurchase agreements, U.S. Treasury Bills and Notes, the municipal investment pool or to make direct investments. The Library's investment policy does not place requirements on the credit quality ratings of its endowment securities. The Library's investments in bond mutual funds were rated AA2 and B by Standard & Poors. The Foundation is not required to follow Kansas State statutes and thus may invest in any instrument allowed by the Foundation's investment policies.

# TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 2 - Cash and Investments (Continued)

*Custodial credit risk.* In the case of deposits, this is the risk that in the event of a bank failure, the Library's deposits may not be returned. For an investment, this is the risk that, in the event of the failure of the 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. Statutes require that collateral pledged must have a fair market value equal to 100% of the deposits and investments, less insured amounts, and must be assigned for the benefit of the Library. Endowment securities in the amount of \$ 141,014 had a custodial credit risk exposure because the related securities are uninsured, unregistered and held by the Library's investment manager which is also the counterparty for these particular transactions.

*Interest rate risk.* Interest rate risk is the risk that changes in the interest rates may adversely affect an investment's fair value. The Library is not exposed to significant interest rate risk.

*Concentration of credit risk.* The Library's investment policy does not place any limitations on the percentage of the Library's deposits and investments that may be with any one issuer. Kansas statutes indirectly prohibit such a limitation, as local banks must be given preference on each investment of idle funds.

The deposits and investments of the Library are shown in the financial statements as follows:

Cash and cash equivalents, including petty cash and change funds of \$ 3,308	<u>\$ 8,259,412</u>
Endowment securities:	
Cash and cash equivalents	7,469
Fixed income mutual funds	60,367
Equity mutual funds	70,958
Real estate equity mutual fund	<u>2,220</u>
	<u>141,014</u>
	<u><u>\$ 8,400,426</u></u>

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

2 - Cash and Investments (Continued)

The Foundation's total investments at December 31, 2008 were as follows:

	Carrying Amount - Fair Value	Cost
Cash and cash equivalents	\$ 495,025	\$ 495,025
Certificate of deposit	1,253,642	1,253,642
Mutual funds	950,918	1,409,358
Corporate bonds	122,170	149,252
Equities	1,209,154	1,626,429
Total investments	4,030,909	4,933,706
Due to primary government	(224,645)	(275,081)
Total Foundation investments	<u>\$ 3,806,264</u>	<u>\$ 4,658,625</u>

The Foundation's total investments are shown in the financial statements as follows:

Investments:	
Unrestricted	\$ 1,097,943
Temporarily restricted	1,614,759
Permanently restricted	1,318,207
	<u>\$ 4,030,909</u>

# TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 3 - Tax Revenue

The Library's property tax is levied each November 1 on the assessed value as of the prior January 1 for all property located in the Library's jurisdiction. A lien is automatically put on the property on November 1 of the year levied. Assessed values are established by the Shawnee County Appraiser. The assessed value on which the 2008 levy was based was \$ 1,485,251,633. During the year ended December 31, 2008, the Library collected approximately 95% of property taxes which were levied for the period.

Property taxes are due in total by December 20 following the levy date, or they may be paid in equal installments if paid by December 20 and the following May 10. Property taxes are collected by Shawnee County.

State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year, because these revenues are designated to finance the following year's operations. Therefore, taxes levied in the current year are recorded as taxes receivable and unearned revenue at year end and are recognized as revenue, net of estimated uncollectible and delinquent amounts, in the year for which they were budgeted.

Taxes receivable include property taxes levied for 2008 and prior years which have not yet been collected and are reflected as unearned revenue.

Tax revenue, including interest and penalties, by fund type for fiscal year 2008 is as follows:

	General	Employee Benefit	Debt Service	Total
Ad valorem taxes	\$ 9,719,182	\$ 1,494,809	\$ 1,453,512	\$ 12,667,503
Delinquent taxes	173,111	35,127	27,057	235,295
Motor vehicle tax	1,288,885	263,292	196,855	1,749,032
Payments in lieu of taxes	48,755	7,497	7,291	63,543
	<u>\$ 11,229,933</u>	<u>\$ 1,800,725</u>	<u>\$ 1,684,715</u>	<u>\$ 14,715,373</u>

# TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 3 - Tax Revenue (Continued)

The Library's property tax levies per \$ 1,000 assessed valuation for 2008 property tax revenues were as follows:

<u>Fund</u>	<u>Levy</u>
General	\$ 6.874
Employee Benefit	1.028
Debt Service	<u>1.057</u>
	<u>\$ 8.959</u>

### 4 - Split Interest Agreements

The Library is the beneficiary of a charitable lead trust and a perpetual trust. The terms of the charitable lead trust are for the beneficiaries to receive six percent of the value of the trust in quarterly payments. The Library is a beneficiary of ten percent of that distribution. The approximate value of the Library's portion of the charitable lead trust was \$ 72,000 at December 31, 2008. The terms of the perpetual trust are for the Library as sole beneficiary to receive the net income from the trust semiannually. The distributions are to be used for the purchase of books on history, art, travel and science. The approximate value of the Library's portion of the perpetual trust was \$ 50,000 at December 31, 2008. The split interest agreements are recorded at the estimated fair value based on the present value of future distributions using assumptions of an eight percent rate of return over twenty years.

### 5 - Transactions with Related Parties

#### Library Foundation

The Foundation holds certain restricted investments and related activity for the Library in order to pool funds and receive higher investment returns (see Note 2). The investment income, unrealized gains and losses and investment costs of those investments are recorded on the Foundation's accounts each month, net of the Library's portion.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

5 - Transactions with Related Parties (Continued)

Library Foundation (Continued)

The Foundation has an income distribution policy which requires the Foundation's unrestricted net investment income less operating expenses to be distributed to the Library. Certain temporarily restricted funds are distributed to the Library based on five percent of the average net asset balance over the past twenty quarters. The permanently restricted funds are distributed in an amount equal to the earnings on, or a percentage of the value of permanently restricted funds, as determined by donor restrictions as of the previous year-end. The purpose restriction remains with the transferred amounts. The income distributions made in 2008 to the Library were as follows:

Library materials	\$ 40,648
Red carpet	4,823
Talking books	2,454
Undesignated gifts	30,213
Youth services	8,949
Hirschberg lecture series	1,555
Hughes business collection	950
Torluemke landscaping	1,324
Sabatini gallery	3,124
Special collections	560
	<hr/>
	\$ 94,600

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

5 - Transactions with Related Parties (Continued)

Library Foundation (Continued)

Also as provided in the income distribution policy of the Foundation, the Foundation's trustees shall consider requests from the Library on a case-by-case basis. The Foundation transferred restricted assets to the Library for the following purposes during the year ended December 31, 2008:

Bookmobile	\$ 1,195
Computer monitors	6,967
Children's show	5,604
Park benches	9,967
Genealogy Center - scanner	3,449
Health Information Neighborhood	21,811
Menninger historical treasures - shelving	3,392
Adult programs	242
Gallery special projects - Richardson images	500
Miscellaneous	739
	<hr/>
	\$ 53,866
	<hr/>

The Foundation uses Library employees to perform most of its operations. The Foundation reimburses the Library for 50% of the Director of Development, the Development Professional and the Development Specialist's salaries and related benefits and 100% of the Development Associate and two Homework Center employees' salaries and related benefits. All payroll and withholding activities for these six employees are performed by the Library. Total amounts paid during 2008 to the Library for salaries and benefits were:

Foundation salaries and benefits	\$ 142,166
Homework Center salaries and benefits	38,929
	<hr/>
	\$ 181,095
	<hr/>



TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

5 - Transactions with the Related Parties (Continued)

Library Foundation (Continued)

Amounts due from component unit consists of the following at December 31, 2008:

Investment held on behalf of Library (see Note 2)	\$ 224,645
Due for reimbursement of payroll	<u>13,058</u>
	<u>\$ 237,703</u>

Friends of the Library

The Friends of the Library (the Friends) supports the operations of the Library by providing funds for the purchase of books and equipment and other various Library projects. The Friends reimburses the Library for expenses incurred by the Friends but paid by the Library on the Friends' behalf. The Friends pays the Library for the salaries and benefits of three Chandler Booktique employees. These employees are Friends' employees, who are subject to the Friends' policies and procedures, but the payment of the salaries is processed through the Library's accounting system. The Friends also pays the Library for the salary and benefits of the Friends' office manager. The office manager is considered a loaned employee of the Library and is subject to all of the Library's policies and procedures. The total amount paid during 2008 to the Library for salaries and benefits was \$ 88,664. The amount due from the Friends for salaries and benefits at December 31, 2008 was \$ 17,283.

The Friends also reimburses the Library for the operating expenses incurred by the Friends' organization during the year. The total amount paid to the Library for various operating expenses was \$ 4,964. The amount due from the Friends for various operating expenses at December 31, 2008 was \$ 516.

The Library makes an annual request of the Friends for a contribution to be used for various Library projects. In 2008, the Friends contributed \$ 50,000 to the Library to fund the Library's requests.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

6 - Capital Assets

Capital asset activity for the year ended December 31, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 938,029	\$ -	\$ -	\$ 938,029
Works of art	1,708,580	32,931	-	1,741,511
Equipment in progress	18,375	-	(18,375)	-
Total capital assets not being depreciated	2,664,984	32,931	(18,375)	2,679,540
Capital assets being depreciated:				
Buildings and improvements	28,022,197	54,338	-	28,076,535
Equipment	4,635,614	347,933	(103,766)	4,879,781
Books and collections	9,874,812	1,540,804	(1,000,062)	10,415,554
Total capital assets being depreciated	42,532,623	1,943,075	(1,103,828)	43,371,870
Less accumulated depreciation for:				
Buildings and improvements	(5,327,158)	(701,668)	-	(6,028,826)
Equipment	(2,898,147)	(433,513)	98,614	(3,233,046)
Books and collections	(7,705,010)	(967,410)	620,048	(8,052,372)
Total accumulated depreciation	(15,930,315)	(2,102,591)	718,662	(17,314,244)
Total capital assets being depreciated, net	26,602,308	(159,516)	(385,166)	26,057,626
Capital assets, net	\$ 29,267,292	\$ (126,585)	\$ (403,541)	\$ 28,737,166

Depreciation expense of \$ 2,102,591 was charged to the Library services function of the primary government.

# TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 7 - Long-Term Debt

The following is a summary of long-term debt transactions of the Library for the year ended December 31, 2008:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
G.O. Refunding Bonds, Series 2002	\$ 16,905,000	\$ -	\$ 1,145,000	\$ 15,760,000	\$ 1,195,000
Compensated absences	443,978	594,904	573,809	465,073	5,122
Total long-term debt	<u>\$ 17,348,978</u>	<u>\$ 594,904</u>	<u>\$ 1,718,809</u>	<u>\$ 16,225,073</u>	<u>\$ 1,200,122</u>

The General Obligation Refunding Bonds, Series 2002 are due in annual payments graduating from \$ 1,195,000 on September 1, 2009 to \$ 1,720,000 on September 1, 2019. The bonds bear interest at rates ranging from 3.25% - 4.30% payable semi-annually.

Compensated absences are generally liquidated by the general fund.

The annual debt service requirements to amortize general obligation bonds outstanding as of December 31, 2008 are as follows:

For the Year Ending December 31,	Principal	Interest	Total
2009	\$ 1,195,000	\$ 603,585	\$ 1,798,585
2010	1,230,000	564,748	1,794,748
2011	1,275,000	521,698	1,796,698
2012	1,320,000	477,072	1,797,072
2013	1,365,000	429,223	1,794,223
2014-2018	7,655,000	1,329,688	8,984,688
2019	1,720,000	73,960	1,793,960
	<u>\$ 15,760,000</u>	<u>\$ 3,999,974</u>	<u>\$ 19,759,974</u>

### Bonded Indebtedness Limitation

Kansas Statutes Annotated 12-1270 states that the general obligation bonds are not subject to any bonded debt limit of the city or county.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

8 - Operating Leases

The Library has entered into several operating leases for office equipment. Future payments required under operating lease agreements are as follows:

For the Year Ending December 31,	
2009	\$ 77,512
2010	67,194
2011	60,858
2012	19,880
2013	14,328
	<hr/>
	\$ 239,772

Operating lease expense was \$ 83,538 for the year ended December 31, 2008.

9 - Defined Benefit Pension Plan

Plan Description

The Library contributes to the Kansas Public Employees Retirement System (KPERS) which is 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. Those reports may be obtained by writing to KPERS (611 South Kansas Avenue, Suite 100; Topeka, Kansas 66603-3803) or by calling 1-888-275-5737.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

9 - Defined Benefit Pension Plan (Continued)

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by Statute for the period of January 1, 2008 to December 31, 2008 was 4.93%. The employer insurance contribution rate for the period January 1, 2008 to December 31, 2008 was 1%. The Library's employer contributions to KPERS for the years ending December 31, 2008, 2007 and 2006 were approximately \$ 415,000, \$ 349,000 and \$ 292,000, respectively, equal to the statutory required contributions.

10 - Other Postemployment Healthcare Benefits

Plan Description

The Library offers postemployment medical and dental insurance to its retirees and dependents. The benefits are provided through a fully-insured arrangement that operates as a single-employer defined benefit plan. This arrangement does not qualify as an "OPEB Plan" under GASB requirements and thus cannot be treated as holding assets for GASB reporting. Qualifying retirees are those employees with 520 consecutive weeks of full-time employment with the Library who are eligible to receive pension benefits under the Kansas Public Employees' Retirement System. Retirees may continue coverage with the Library by paying 50% of the full premium. Coverage is available for the life of the retiree. Spouses may continue coverage upon retiree death under the Consolidated Omnibus Budget Reconciliation Act (COBRA) for up to 36 months.

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

10 - Other Postemployment Healthcare Benefits (Continued)

Funding Policy

The Library provides medical and dental insurance benefits to retirees and their dependents in accordance with Kansas law (K.S.A. 12-5040). Library policy, which may be amended by the Board of Trustees, established that participating retirees contribute 50% of the full premium to the plan. The funding policy of the Library is to pay retiree premiums as they come due through the employee benefit fund. In 2008, retired plan members receiving benefits contributed \$ 42,351 to the plan and the Library contributed \$ 43,205.

Annual OPEB Cost and Net OPEB Obligation

The Library's annual OPEB (Other Post Employment Benefits) cost is calculated based on the annual required contribution (ARC) of the employer, which is an amount actuarially determined in accordance with parameters of GASB 45. The ARC represents a level of funding that if paid on an on-going basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table presents the components of the Library's annual OPEB cost for the year, the contributions to the plan, and the changes in the Library's net OPEB obligation.

Annual required contribution:	
Amortization of unfunded actuarial accrued liability	\$ 434,591
Normal cost with interest	698,188
	<hr/>
Annual OPEB cost (expense)	1,132,779
	<hr/>
Contributions made	(43,205)
	<hr/>
Increase in net OPEB obligation	1,089,574
	<hr/>
Net OPEB obligation, January 1, 2008	-
	<hr/>
Net OPEB obligation, December 31, 2008	\$ 1,089,574
	<hr/>

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

10 - Other Postemployment Healthcare Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

Schedule of Employer Contributions (for fiscal year ended):

Year	Annual OPEB Cost	Employer Contributions	Percentage Contributed	End of Year Net OPEB Obligation
2008	\$ 1,132,779	\$ 43,205	3.8%	\$ 1,089,574

Funded Status and Funding Progress

As of January 1, 2008, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$ 8,804,959. The Library's policy is to fund the benefits on a pay as you go basis, resulting in an unfunded actuarial accrued liability (UAAL) of \$ 8,804,959. The covered payroll (annual payroll of active employees covered by the plan) was \$ 7,267,567, and the ratio of the UAAL to the covered payroll was 121.2 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The valuation includes, for example, assumptions about future employment, mortality and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with the past expectations and new estimates are made about the future. The schedule of funding progress will present, in time, multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liabilities for benefits.

Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
1/1/2008	\$ -	\$ 8,804,959	\$ 8,804,959	0.0%	\$ 7,267,567	121.2%

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

10 - Other Postemployment Healthcare Benefits (Continued)

Actuarial Methods and Assumptions

Projections of benefits for reporting purposes are based on the substantive plan and include the types of benefits provided at the time of valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations.

The projected unit credit actuarial cost method was applied in the January 1, 2008 actuarial valuation. The actuarial assumptions include a 4 percent investment rate of return, which is based on expected returns of asset classes stipulated in the investment policy underlying idle funds and recent return experience. The valuation assumed annual medical care cost trend rates of 6 to 8 percent in the first three years and an ultimate rate of 5 percent after three years. The valuation assumed an annual dental care cost trend rate of 4 percent per year. The valuation followed generally accepted actuarial methods and included tests as considered necessary to assure the accuracy of the results. The UAAL is being amortized over a 30 year open period on a level percent of pay basis.

11 - 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. These risks are covered by commercial insurance purchased from independent third parties. There has been no significant change in insurance coverage from the previous fiscal year. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.



## SUPPLEMENTARY INFORMATION

## TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

COMBINING BALANCE SHEET -  
NONMAJOR GOVERNMENTAL FUNDS

December 31, 2008

	State Aid	Grants	Other Special Revenue	Permanent Funds	Total Nonmajor Governmental Funds
<u>ASSETS</u>					
Cash and cash equivalents	\$ -	\$ 137,327	\$ 367,574	\$ -	\$ 504,901
Due from component unit	-	-	1,997	222,648	224,645
Endowment securities	-	-	-	141,014	141,014
Total assets	<u>\$ -</u>	<u>\$ 137,327</u>	<u>\$ 369,571</u>	<u>\$ 363,662</u>	<u>\$ 870,560</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Unearned revenue	\$ -	\$ 137,327	\$ -	\$ -	\$ 137,327
Fund balances:					
Reserved for:					
Encumbrances	-	-	15,246	-	15,246
Perpetual care	-	-	-	363,662	363,662
Unreserved	-	-	354,325	-	354,325
Total fund balances	<u>-</u>	<u>-</u>	<u>369,571</u>	<u>363,662</u>	<u>733,233</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 137,327</u>	<u>\$ 369,571</u>	<u>\$ 363,662</u>	<u>\$ 870,560</u>

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES -  
 NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2008

	State Aid	Grants	Other Special Revenue	Permanent Funds	Total Nonmajor Governmental Funds
Revenues:					
Intergovernmental revenues	\$ 114,438	\$ 251,360	\$ -	\$ -	\$ 365,798
Contributions	-	-	56,944	-	56,944
Investment income (loss)	-	-	12,705	(114,679)	(101,974)
Miscellaneous	-	-	12,635	-	12,635
Receipts from component unit	-	-	130,919	-	130,919
Total revenues	114,438	251,360	213,203	(114,679)	464,322
Expenditures:					
Library services	19,560	198,592	142,158	-	360,310
Capital outlay	112,007	52,768	61,550	-	226,325
Total expenditures	131,567	251,360	203,708	-	586,635
Net change in fund balances	(17,129)	-	9,495	(114,679)	(122,313)
Fund balances, beginning of year	17,129	-	360,076	478,341	855,546
Fund balances, end of year	\$ -	\$ -	\$ 369,571	\$ 363,662	\$ 733,233

## TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

COMPARISON OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (BUDGET BASIS)

## Debt Service - Bond and Interest Fund

Year Ended December 31, 2008

	Original and Final Budget	Actual	Variance with Final Budget
Revenues:			
Taxes and assessments:			
Ad valorem taxes	\$ 1,526,086	\$ 1,453,512	\$ (72,574)
Delinquent taxes	-	27,057	27,057
Motor vehicle tax	199,118	196,855	(2,263)
Payments in lieu of taxes	7,752	7,291	(461)
	1,732,956	1,684,715	(48,241)
Intergovernmental revenues	14,295	26,305	12,010
Investment income	50,000	54,405	4,405
Total revenues	<u>\$ 1,797,251</u>	<u>1,765,425</u>	<u>\$ (31,826)</u>
Expenditures:			
Bond principal payment	\$ 1,145,000	1,145,000	\$ -
Interest and fiscal charges	649,385	649,385	-
Revitalization rebates	20,379	-	20,379
Total expenditures	<u>\$ 1,814,764</u>	<u>1,794,385</u>	<u>\$ 20,379</u>
Deficiency of revenues under expenditures		(28,960)	
Fund balances, beginning of year		<u>1,543,807</u>	
Fund balances, end of year		<u>\$ 1,514,847</u>	

## TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY

COMPARISON OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (BUDGET BASIS)

## State Aid Fund

Year Ended December 31, 2008

	Original and Final Budget	Actual	Variance with Final Budget
Revenues:			
Intergovernmental revenues	\$ 125,000	\$ 114,438	\$ (10,562)
Expenditures:			
Library materials	\$ 125,000	112,007	\$ 12,993
Excess of revenues over expenditures		2,431	
Fund balances, beginning of year		17,129	
Less encumbrances - beginning of year		(26,581)	
Add encumbrances - end of year		-	
Add cancellations of prior year encumbrances		7,021	
Fund balances, end of year		\$ -	



BERBERICH TRAHAN & CO., P.A.  
Certified Public Accountants

**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**

The Board of Trustees  
Topeka and Shawnee County Public Library:

We have audited the financial statements of the governmental activities, discretely presented component unit, each major fund and the aggregate remaining fund information of the Topeka and Shawnee County Public Library (the Library) as of and for the year ended December 31, 2008, which collectively comprise the Library's basic financial statements and have issued our report thereon dated April 13, 2009. 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. The financial statements of the Library Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not extend to that component unit.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

RSM McGladrey Network  
An Independently Owned Member

Compliance and Other Matters

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

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

*Berberick Trahan & Co., P.A.*

April 13, 2009

TOPEKA AND SHAWNEE COUNTY PUBLIC LIBRARY  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

December 31, 2008

Significant Deficiency 2007-1:

*Criteria* – Internal controls, such as conducting monthly reviews of all journal entries, can assist in preventing fraud, misappropriation of assets, and errors.

*Condition* – There is the potential for improper journal entries to be made in the accounting system.

*Cause* – Certain journal entries are not being reviewed by anyone above the person preparing the entries.

*Effect* – The lack of internal controls over manual journal entries heightens the risk of fraud, misappropriation of assets, and errors.

*Recommendation* – We recommend that at least a monthly review of all journal entries be made by someone above the person preparing the entries.

*Management's Response (Unaudited)* – All journal entries will be reviewed monthly by someone above the person preparing the entries.

*Follow-up* – Journal entries tested during the 2008 audit were reviewed by someone above the person preparing the entries.

Significant Deficiency 2007-2:

*Criteria* – Segregation of the cash handling and recording functions provides better control and accountability in the cash receipts process.

*Condition* – There is a lack of segregation of duties in the cash receipts cycle.

*Cause* – The same person receives the cash or checks, fills out the deposit slip, makes the deposit, enters cash receipts into the accounting system and reconciles the bank statement.

*Effect* – The lack of segregation of controls increases the risk of misappropriation of assets and fraud.

*Recommendation* – We recommend that the cash handling function of the cash receipts cycle be segregated from the cash recording functions of the cash receipts cycle. This could be accomplished by adding another person or two to the cash receipts process.

*Management's Response (Unaudited)* – The cash handling functions will be segregated from the cash recording functions.

*Follow-up* – An additional employee was added to the finance staff in 2008. The cash handling function of the cash receipts cycle has been segregated from the cash recording function of the cash receipts cycle.