
KIRKWOOD PUBLIC LIBRARY

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2012

Table of Contents

	Page
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS - REQUIRED SUPPLEMENTARY INFORMATION	3
BASIC FINANCIAL STATEMENTS:	
Statement of Net Assets and Governmental Funds Balance Sheet	8
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances.....	9
Notes to Basic Financial Statements	10
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual - Budgetary Basis - General Fund - Unaudited	26
Notes to Budgetary Comparison Information.....	28
ADDITIONAL SUPPLEMENTARY INFORMATION:	
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT</i> <i>AUDITING STANDARDS</i>	30



SCHOWALTER & JABOURI, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
11878 GRAVOIS ROAD
ST. LOUIS, MISSOURI 63127
(314) 849-4999
FAX (314) 849-3486

FINANCIAL SERVICES
COMPUTER SOLUTIONS
ADMINISTRATIVE OFFICES

11777 GRAVOIS ROAD
ST. LOUIS, MISSOURI 63127
(314) 842-2929
FAX (314) 842-3483

INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Trustees
Kirkwood Public Library

We have audited the accompanying financial statements of the governmental activities and each major fund of the Kirkwood Public Library (the "Library"), as of and for the year ended June 30, 2012, 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 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Library as of June 30, 2012, and the respective changes in financial position 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 a report dated October 9, 2012 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, 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.

MEMBERS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS • MISSOURI SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
AICPA GOVERNMENTAL AUDIT QUALITY CENTER • AICPA EMPLOYEE BENEFIT PLAN AUDIT QUALITY CENTER

"SCHOWALTER & JABOURI, P.C. IS A MEMBER OF NEXIA INTERNATIONAL, A WORLDWIDE NETWORK OF INDEPENDENT ACCOUNTING AND CONSULTING FIRMS."

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information and related notes on pages 3 through 7 and 26 through 29 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.


SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri
October 9, 2012

KIRKWOOD PUBLIC LIBRARY

MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Management's Discussion and Analysis

Our discussion and analysis of the Kirkwood Public Library's financial performance provides an overview of the Library's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the Library's financial statements, which begin on page 8.

Financial Highlights

- On a government-wide basis, the assets of the Library exceeded its liabilities for the most recent fiscal year by \$4,671,174.
- The Library's total net assets increased \$852,440.
- At June 30, 2012, the unassigned fund balance for the general fund was \$3,231,993.
- There was a net increase of \$712,677 of revenues over expenditures in the general fund.
- The Library issued \$6,885,000 in Certificates of Participation during 2009 to renovate the library. The library renovation was completed in fiscal year 2011.

Overview of the Financial Statements

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major funds) and a comparison of the governmental funds to budget. Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Library's only activity is governmental.

The Library has elected to present the statements in a simplified format permitted by GASB 34 for small governments.

The fund financial statements are presented in the first column of the Statement of Net Assets and Governmental Funds Balance Sheet. The second column shows the adjustments from modified accrual to accrual and the third column represents the Library's net assets on an accrual basis. The same format is used for the Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balances.

KIRKWOOD PUBLIC LIBRARY

Management's Discussion and Analysis (continued)

Government-Wide Financial Statement Analysis

The following is a summary of the Statement of Net Assets as of June 30, 2012 and 2011:

	June 30,	
	2012	2011
Assets:		
Current and other assets	\$4,682,281	\$ 3,951,349
Capital assets, net	6,571,737	6,578,745
Total Assets	11,254,018	10,530,094
Liabilities:		
Long-term obligations	6,405,869	6,565,079
Other liabilities	176,975	146,281
Total Liabilities	6,582,844	6,711,360
Net Assets:		
Invested in capital assets, net of related debt	197,702	35,502
Restricted	451,551	619,482
Unrestricted	4,021,921	3,163,750
Total Net Assets	\$ 4,671,174	\$ 3,818,734

Total net assets of the Library as a whole increased \$852,440 during fiscal year 2012. The increase in net assets is due to the addition of the endowment fund, which previously was under the Kirkwood Public Library Foundation. Long-term obligations decreased due to scheduled principal payments on the Certificates of Participation. Other liabilities mainly represent accrued interest on outstanding Certificates of Participation and accounts payable as of June 30, 2012. The largest portion of the Library's net assets (86%) reflects unrestricted net assets.

KIRKWOOD PUBLIC LIBRARY

Management's Discussion and Analysis (continued)

The following is a summary of changes in net assets for the years ended June 30, 2012 and 2011:

	June 30,	
	2012	2011
Program and Service Revenue:		
Charges for services	\$ 94,364	\$ 107,141
Operating grants and contributions	112,973	62,424
Capital grants and contributions	12,185	20,808
Total Program and Service Revenue	219,522	190,373
General Revenues:		
Property taxes	2,061,332	2,126,838
State aid	13,759	13,219
Investment income	16,214	14,060
Gain capital assets	3,819	3,632
Other	2,373	1,029
Total General Revenues	2,097,497	2,158,778
Extraordinary item - dissolution of Foundation	439,613	-
Total revenues	2,756,632	2,349,151
Expenses	1,904,192	1,856,570
Net increase	852,440	492,581
Net assets, beginning,	3,818,734	3,326,153
Net assets, ending	\$ 4,671,174	\$ 3,818,734

Government-wide revenues and expenditures remained fairly consistent compared to 2011, with the exception of the \$439,613 extraordinary item resulting from the dissolution of the Kirkwood Public Library Foundation. By far, the largest revenue source is the property tax levy. In 2007, the voters approved a \$0.12 increase in the tax levy; of which \$.08 is used to pay the principal and interest on the Certificates of Participation that were issued in 2009 to renovate the library. There was an increase in operating contributions in 2012 since the Foundation was dissolved and contributions are coming straight to the Library. The Friends of the Kirkwood Public Library continues to provide support to the Library.

KIRKWOOD PUBLIC LIBRARY

Management's Discussion and Analysis (continued)

Fund Financial Statement Analysis

The fund financial statements provide more detailed information about the Library's most significant funds. 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's only governmental funds is the general fund.

The general fund houses the Library's operational activities and saw an increase of \$712,677 of revenues over expenditures. Included in the general fund is a \$540,456 debt service reserve fund as required by the Series 2009 Certificates of Participation. As of June 30, 2012, the general fund unassigned fund balance totaled approximately \$3.2 million.

The Library strives to control operating expenses in order to maintain stability in charges for services rates. Staff members of the Library are diligent about purchasing. Every effort is made to find the lowest, and best, price for an item. If possible and feasible, bids are sought for services from more than one company. We feel that it is also important that we support our taxpaying Kirkwood businesses when possible.

Capital Assets

The Library has invested \$6,571,737 in capital assets net of accumulated depreciation. This investment in capital assets includes land, art collection, construction in progress, buildings, furniture and equipment and library materials. This amount represents a net decrease from the fiscal year June 30, 2011 of \$7,008. Additional information on capital assets can be found in Note 5 to the basic financial statements.

Long-Term Debt

The Library currently has no general obligation bonds outstanding. As of June 30, 2012, the Library has \$6,385,000 in Certificates of Participation outstanding. The Certificates bear interest at rates ranging from 2.5% to 5.00% and mature through 2033.

Standard & Poor's Ratings Services issued a long-term rating of AA-/Stable on the Library's series 2009 certificates of participation on January 23, 2009. The rating reflected the library's "covenant to budget and appropriate annual debt payments and its long-term credit quality." Their opinion was based on the area economy, income and wealth characteristics and the library's strong financial operations and low overall debt burden. Standard & Poor rated the library's financial management practices "good."

Further information regarding long-term debt may be found in Note 7 to the basic financial statements.

Budget Variances

The Library budgets on a cash basis. The difference between original budgeted revenues (\$2,264,282) and final budgeted revenues (\$2,426,082) can be attributed to conservative budgeting.

Original expenditures in the general fund were estimated at \$2,066,744 while the Library actually spent \$2,024,913. The variance is primarily due to the reduction in personnel costs.

KIRKWOOD PUBLIC LIBRARY

Management's Discussion and Analysis (continued)

Financial Contacts

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If anyone has any questions about this report or needs additional information, contact Sarah Erwin at the Kirkwood Public Library, 140 E. Jefferson, Kirkwood, MO 63122.

KIRKWOOD PUBLIC LIBRARY

**STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2012**

	Primary Government		
	General Fund	Adjustments (Note 3)	Statement of Net Assets
ASSETS:			
Cash and investments:			
Unrestricted	\$ 3,882,227	\$ -	\$ 3,882,227
Held by trustees	540,857	-	540,857
Receivables:			
Taxes	79,107	-	79,107
Grants and other	12,185	-	12,185
Prepaid expenses	15,139	-	15,139
Issue costs	-	152,766	152,766
Capital assets:			
Land	-	12,600	12,600
Art collection	-	105,050	105,050
Other capital assets, net of accumulated depreciation	-	6,454,087	6,454,087
Total Assets	\$ 4,529,515	\$ 6,724,503	\$ 11,254,018
LIABILITIES:			
Accounts payable	\$ 66,786	\$ -	\$ 66,786
Accrued liabilities	16,475	-	16,475
Accrued interest	-	93,714	93,714
Deferred revenue	73,241	(73,241)	-
Noncurrent liabilities:			
Due within one year	-	206,834	206,834
Due in more than one year	-	6,199,035	6,199,035
Total Liabilities	156,502	6,426,342	6,582,844
FUND BALANCES / NET ASSETS:			
Fund Balances:			
Nonspendable - prepaid expense	15,139	(15,139)	-
Restricted for:			
Jill Raiser Memorial	4,408	(4,408)	-
Debt service	540,857	(540,857)	-
Committed - endowment	464,868	(464,868)	-
Assigned - budget rollover	115,748	(115,748)	-
Unassigned	3,231,993	(3,231,993)	-
Total Fund Balances	4,373,013	(4,373,013)	-
Total Liabilities and Fund Balances	\$ 4,529,515		
Net Assets:			
Invested in capital assets, net of related debt		197,702	197,702
Restricted for:			
Jill Raiser Memorial		4,408	4,408
Debt service		447,143	447,143
Unrestricted		4,021,921	4,021,921
Total Net Assets		\$ 4,671,174	\$ 4,671,174

KIRKWOOD PUBLIC LIBRARY

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Primary Government		Statement of Activities
	General Fund	Adjustments (Note 4)	
Expenditures/Expenses:			
Governmental activities			
Library Services:			
Personnel	\$ 890,479	\$ 9,998	\$ 900,477
Library materials	342,744	(315,262)	27,482
Administrative services	117,826	-	117,826
Utilities and services	128,028	-	128,028
Consortium	34,788	-	34,788
Depreciation	-	392,433	392,433
Capital outlay	82,051	(70,163)	11,888
Debt service:			
Principal	170,000	(170,000)	-
Interest and fees	284,623	6,647	291,270
Total Expenditures/Expenses	2,050,539	(146,347)	1,904,192
Program Revenues:			
Charges for services	94,364	-	94,364
Operating grants and contributions	112,973	-	112,973
Capital grants and contributions	6,425	5,760	12,185
Net Program Revenue	213,762	5,760	219,522
Net Program Expense			(1,684,670)
General Revenues:			
Property taxes	2,073,676	(12,344)	2,061,332
State aid	13,759	-	13,759
Investment earnings	16,214	-	16,214
Gain on disposal of capital assets	3,819	-	3,819
Miscellaneous	2,373	-	2,373
Extraordinary Item - Dissolution of Foundation	439,613	-	439,613
Total General Revenues and Extraordinary Items	2,549,454	(12,344)	2,537,110
NET CHANGE IN FUND BALANCE	712,677	(712,677)	-
CHANGE IN NET ASSETS	-	852,440	852,440
FUND BALANCES/NET ASSETS:			
Beginning of the year	3,660,336	-	3,818,734
End of the year	\$ 4,373,013	\$ 852,440	\$ 4,671,174

KIRKWOOD PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Kirkwood Public Library (the "Library") was incorporated on December 11, 1926, under the provisions of the State of Missouri and is operated under a board of trustees and librarian form of management. The Council of the City of Kirkwood is responsible for appointing the governing members of the Library's board. The City of Kirkwood can remove a Library board member with cause. The City also approves the tax rate for the Library; Library employees also participate in its pension plan and medical insurance plan. The City has determined that the Library is not a component unit of the City.

Principles Determining the Scope of the Reporting Entity

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

- (1) Appointment of a voting majority of the component units board, and either (a) the ability to impose will by the primary government or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- (2) Fiscal dependency on the primary government.

While the Friends of Kirkwood Public Library was created with the purpose of providing volunteers and funds to assist the Library in serving the community, they are not required to be included as a component unit because the amount of financial support provided is of a de minimus nature.

Fund Accounting

The accounts of the Library are organized on the basis of legally established funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Library resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following fund type is used by the Library:

KIRKWOOD PUBLIC LIBRARY

Notes to Basic Financial Statements (continued)

Governmental Funds

Governmental Funds are those through which most functions of the Library are financed. The Library's expendable financial resources are accounted for through Governmental Funds. The measurement focus is upon determination of changes in the financial position rather than upon net income determination. Governmental Funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The Library uses the following governmental fund type, which is considered a major fund:

General Fund

This fund is the general operating fund of the Library and accounts for all financial resources, except those required to be accounted for in another fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Library. The government-wide financial statements are reported 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.

The fund financial statements emphasize major governmental funds, each displayed in a separate column. Governmental fund financial statements are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Since the governmental fund financial statements and government-wide financial statements are combined, an adjustment column is provided to show the reconciliation between the two sets of financial statements. The notes to the financial statements further describe the adjustments by providing brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available. The term available is defined as collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For the Library, available means expected to be received within sixty days of year end.

KIRKWOOD PUBLIC LIBRARY

Notes to Basic Financial Statements (continued)

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

The Library follows GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions* (GASB 33), which establishes accounting and financial reporting standards for nonexchange transactions involving financial or capital resources.

GASB 33 groups nonexchange transactions into the following four classes, based upon their principal characteristics: derived tax revenues, imposed nonexchange revenues, governmental mandated nonexchange transactions, and voluntary nonexchange transactions.

The Library recognizes assets from derived tax revenue transactions (such as sales taxes) in the period when the underlying exchange transaction on which the tax is imposed occurs or when the assets are received, whichever occurs first. Revenues are recognized, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred. Resources received in advance are reported as deferred revenues until the period of the exchange.

The Library recognizes assets from imposed nonexchange revenue transactions in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. Revenues are recognized in the period when the resources are required to be used or the first period that use is permitted. The Board recognizes revenues from property taxes, net of estimated refunds and estimated uncollectible amounts, in the period for which the taxes are levied.

Intergovernmental revenues, representing grants, entitlements, donations and assistance received from other governmental units, are generally recognized as revenues in the period when all eligibility requirements, as defined by GASB 33, have been met. Any resources received before eligibility requirements are met are reported as deferred revenues.

Charges for services in the governmental funds, which are exchange transactions and are, therefore, not subject to the provisions of GASB 33, are recognized as revenues when received in cash because they are generally not measurable until actually received.

Concentration of Credit Risk

The Library does not generally grant credit of any kind; however, at June 30, 2012, the Library has taxes due from St. Louis County.

Revenue Recognition - Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are payable on December 31. The County collects the property tax and remits it to the Library.

Revenue recognition of delinquent property taxes not collected within sixty (60) days of fiscal year end is deferred. An allowance for uncollectable taxes has been provided for delinquent taxes.

KIRKWOOD PUBLIC LIBRARY

Notes to Basic Financial Statements (continued)

The assessed valuation of the tangible taxable property for the calendar years 2011 and 2010 for purposes of local taxation was \$672,884,286 and \$689,495,464, respectively. The tax levy per \$100 of the assessed valuation of tangible taxable property was \$1.001 for the calendar years 2011 and 2010, for purposes of local taxation. The City of Kirkwood approves the property tax rate. The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar years 2011 and 2010 were as follows:

	<u>2011</u>	<u>2010</u>
Residential Real Estate	\$.302	\$.302
Commercial Real Estate	.344	.344
Personal Property	<u>.355</u>	<u>.355</u>
	<u>\$ 1.001</u>	<u>\$ 1.001</u>

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2012, aggregated approximately 99.73% of the current assessment computed on the basis of the levy as shown above.

Capital Assets

Capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the Government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are recorded at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Library maintains a capitalization threshold of \$500 for furniture and equipment, \$5,000 for exhaustible land improvements, building and building improvements and all land, inexhaustible land improvements, library books/materials, and works of art/historical treasures, and an initial estimated life in excess of one year.

The costs of normal maintenance and repairs that do not add value to the asset or materially extend the asset's life are not capitalized. The Library does not possess any infrastructures.

Major outlays for capital assets and improvements are capitalized as projects are constructed and placed in service. Improvements are depreciated over the remaining useful lives of the related capital assets. Except for art collection, land and construction in progress, all reported capital assets are depreciated. Depreciation is calculated using the straight-line method over the following useful lives:

KIRKWOOD PUBLIC LIBRARY

Notes to Basic Financial Statements (continued)

<u>Assets</u>	<u>Years</u>
Exhaustible land improvements	10 - 25
Buildings	60
Buildings improvements	Up to 60
Furniture and equipment	4 - 20
Library materials	5 - 10

Compensated Absences

Employee vacations vest after six months of continuous service, and may be accrued for one year. Full-time employees may carry over accrued vacation into the following calendar year only. The maximum carryover is one half of that year's accrued vacation. Expenditures relating to employee vacations are recorded when paid. Vacation time earned but unused at year end has been recorded as a liability in the government-wide financial statements. A liability is reported in the governmental funds only if the amount is due at year end and payable with current resources.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. Bond issuance costs, bond premiums or discounts, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using the straight-line method and the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current financial resources. However, special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, liabilities that mature or come due for payment during the fiscal year are considered to have been made with current available financial resources. Bonds, capital leases and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Governmental Fund Balances

In the governmental fund financial statements the following classifications are used to define the governmental fund balances:

Nonspendable - This consists of the governmental fund balances that are not in spendable form or legally or contractually required to be maintained intact. The Library's nonspendable fund balance consists of prepaid insurance as of June 30, 2012.

Restricted - This consists of the governmental fund balances that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. The Library's restricted funds consist of the Jill Raiser Memorial and debt service.

KIRKWOOD PUBLIC LIBRARY

Notes to Basic Financial Statements (continued)

Committed - This consists of the governmental fund balances that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the Board of Trustees, the Library's highest level of decision-making authority. The Library's committed fund balance consists of monies received from the dissolution of the Kirkwood Public Library Foundation and other gifts designed to benefit the Library in the long term.

Assigned - This consists of the governmental fund balances that are intended to be used for specific purposes by a) Board of Trustees or b) Executive Director. The Library's assigned fund balance includes amounts budgeted in the subsequent year.

Unassigned - This consists of the governmental funds that do not meet the definition of "nonspendable," "restricted," "committed," or "assigned."

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Library or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted.

Use of Restricted Resources

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available, it is the policy of the Library to generally consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the Library that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts. In both instances, when a proposed expenditure is made with specific balances identified as the source of the funding, that specific fund balance will be used.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

2. CASH AND INVESTMENTS

The Library is governed by the deposit and investment limitations of state law. The Library's policy and state law authorize the following types of investments: United States Treasury and Agency Securities, Repurchase Agreements, Collateralized Certificates of Deposit, Banker's Acceptances and Commercial Paper.

KIRKWOOD PUBLIC LIBRARY

Notes to Basic Financial Statements (continued)

The deposits and investments held at June 30, 2012 are as follows:

<u>Type</u>	<u>Market Value</u>
Deposits:	
Demand deposits	\$2,697,234
Cash on hand	150
Nonnegotiable certificates of deposit	1,259,681
Investments:	
Money market mutual funds	6,292
Open-end mutual funds	<u>459,727</u>
Total Deposits and Investments	<u>\$4,423,084</u>

Custodial Credit Risk - Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Library has a custodial credit risk policy for deposits which requires these funds in excess of amounts federally insured to be collateralized and shall be granted safekeeping receipts specifying the type of collateral as allowed by law. As of June 30, 2012, the Library was not exposed to custodial credit risk.

Custodial Credit Risk - Investments

For an investment, custodial credit risk 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 investment or collateral securities that are in the possession of an outside party. The Library's policy is to require Securities Investor Protection Corporation coverage to secure their investments. As of June 30, 2012, the Library's investments were not subject to custodial credit risk.

Investment Interest Rate Risk

The Library's policy is to structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and to invest operating funds primarily in shorter-term securities. Maturities of investments held at June 30, 2012 are less than one year.

Investment Credit Risk

Investment credit risk is the risk of loss due to the failure of the security issuer. The City's policy to minimize credit risk is to pre-qualify the financial institutions, brokers, dealers, intermediaries, and advisor with whom the Kirkwood Public Library will do business. In addition, the City's policy recommends diversifying the portfolio so that potential losses on individual securities will be minimized. As of June 30, 2012, \$1,151 of the investments were rated AAA and the remaining investments were not rated.

KIRKWOOD PUBLIC LIBRARY

Notes to Basic Financial Statements (continued)

Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the US Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). The Library's policy is to diversify its investments to reduce the risk of loss and periodically review its diversification strategies. As of June 30, 2012, the Library's investments were not subject to concentration of investment credit risk.

3. RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

Total fund balance - governmental funds \$ 4,373,013

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. The cost of the assets is \$8,056,314 and the accumulated depreciation is \$1,484,577 6,571,737

Property taxes and other receivables will be collected this year, but are not available to pay for current-period expenditures and therefore are deferred in the funds 73,241

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported on the government-wide statement of net assets. Discounts, premiums, deferred amount on refunding and bond issuance costs are reported in the governmental fund financial statements when the debt was issued whereas the amounts are deferred and amortized over the life of the debt as an adjustment to interest expense on the government-wide financial statements.

Accrued compensated absences	(31,834)
Accrued interest on outstanding debt	(93,714)
Certificates of Participation payable	(6,385,000)
Unamortized bond issue costs	152,766
Unamortized bond discount	<u>10,965</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 4,671,174**

KIRKWOOD PUBLIC LIBRARY

Notes to Basic Financial Statements (continued)

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUND BALANCES \$ 712,677

Amounts reported for *governmental activities* in the Statement of Activities are different because:

Capital outlays are reported as expenditures in the governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expenses. In the current period, these amounts are:

Capital asset purchases	385,425	
Depreciation expense	<u>(392,433)</u>	(7,008)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. In the current period, these amounts are:

Decrease in deferred tax revenue	(12,344)
Increase in grant revenue earned	5,760

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount represents the principal paid on long-term debt

170,000

Under the modified accrual basis of accounting used in governmental funds, the effect of issuance costs, discounts and premiums when debt is first issued is reported in the operating statement, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. 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. The net effect of these differences is as follows:

Increase in compensated absences	(9,998)	
Decrease in accrued interest on bonds	1,420	
Amortization of bond issue costs	(7,275)	
Amortization of bond discount	(792)	<u>(16,645)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 852,440

KIRKWOOD PUBLIC LIBRARY

Notes to Basic Financial Statements (continued)

5. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2012 was as follows:

	Balance July 1, 2011	Additions and Transfers	Disposals and Transfers	Balance June 30, 2012
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 12,600	\$ -	\$ -	\$ 12,600
Art collection	105,050	-	-	105,050
Total Capital Assets, Not Being Depreciated	117,650	-	-	117,650
Capital Assets, Being Depreciated:				
Buildings	5,099,954	9,730	-	5,109,684
Furniture and equipment	648,905	60,433	-	709,338
Library materials	2,080,461	315,262	276,081	2,119,642
Total Capital Assets, Being Depreciated	7,829,320	385,425	276,081	7,938,664
Less - Accumulated Depreciation For:				
Buildings	42,500	85,124	-	127,624
Furniture and equipment	301,373	59,972	-	361,345
Library materials	1,024,352	247,337	276,081	995,608
Total Accumulated Depreciation	1,368,225	392,433	276,081	1,484,577
Total Capital Assets, Being Depreciated, Net	6,461,095	(7,008)	-	6,454,087
Governmental Activities, Capital Assets, Net	\$ 6,578,745	\$ (7,008)	\$ -	\$ 6,571,737

Since the Library has only one function, there is no requirement to allocate the depreciation.

KIRKWOOD PUBLIC LIBRARY

Notes to Basic Financial Statements (continued)

6. EXTRAORDINARY ITEM – DISSOLUTION OF THE KIRKWOOD PUBLIC LIBRARY FOUNDATION

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. During the year ended June 30, 2012, the Kirkwood Public Library Foundation (a Missouri nonprofit corporation) was dissolved and assets totaling \$439,613 were transferred to the Library. This transaction has been reflected as an extraordinary item in the financial statements.

For years prior to June 30, 2012, the Kirkwood Public Library Foundation was considered a component unit of the Library.

7. LONG-TERM LIABILITIES

The following is a summary of changes in the Library's long-term liabilities for the year ended June 30, 2012:

	Original Issuance Amounts	Balance - July 1, 2011	Additions	Retirements	Balance - June 30, 2012	Amount due within one year
Certificates of Participation, Series 2009	\$ 6,885,000	\$ 6,555,000	\$ -	\$ 170,000	\$ 6,385,000	\$ 175,000
Accrued compensated absences	N/A	21,836	32,623	(22,625)	31,834	31,834
	<u>\$ 6,885,000</u>	6,576,836	<u>\$ 32,623</u>	<u>\$ 147,375</u>	6,416,834	<u>\$ 206,834</u>
Less: Unamortized discount, net		<u>(11,757)</u>			<u>(10,965)</u>	
		<u>\$ 6,565,079</u>			<u>\$ 6,405,869</u>	

The Certificates of Participation and accrued compensated absences are liquidated from the General Fund.

Certificates of Participation

In February 2009, Certificates of Participation Series 2009 ("COPS") in the amount of \$6,885,000 were issued evidencing interest in the right to receive rental payments to be paid by the City of Kirkwood Municipal Library pursuant to an annually renewable Lease-Purchase Agreement (the "Agreement") dated February 1, 2009, between UMB Bank, as lessor, and the Library, as lessee. The proceeds of the Certificates were used to repair, renovate, improve, furnish and equip the existing Kirkwood Public Library (the "Project") and pay certain costs associated with temporary space for the Kirkwood Public Library during construction of the Project, to fund a debt service reserve fund for the Certificates and to pay the costs of delivery of the Certificates. In conjunction with this issuance, the Library entered into a lease agreement ("Base Lease") to lease to the trustee the leased property and the trustee will sublease the leased property, including all improvements constructed or installed on the leased property, including the Project, back to the Library pursuant to the Agreement.

KIRKWOOD PUBLIC LIBRARY

Notes to Basic Financial Statements (continued)

The Base Lease provides for, among other things, rental income equal to the COPS proceeds and a term that ends on the earlier of (a) the date when all the Series 2009 Certificates have been paid in full or provision for payment thereof has been made or (b) March 2, 2033. Terms of the Agreement include, among other things, rental payments equal to the principal and interest amounts of the COPS issuance, the initial rental term ending June 30, 2012 with renewal options for twenty-four (24) consecutive one-year renewal terms with the last term commencing July 11, 2032 and ending March 2, 2033. The Library may terminate its obligations under the Lease on an annual basis. The Library will have the option to purchase the Trustee's interest in the Leased Property at the times and upon conditions described in the lease.

The Certificates bear interest at rates ranging from 2.50% to 5.00% and mature through 2033 as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 175,000	\$ 280,372	\$ 455,372
2014	175,000	275,998	450,998
2015	180,000	271,185	451,185
2016	195,000	265,785	460,785
2017	200,000	259,935	459,935
2018-2022	1,190,000	1,189,427	2,379,427
2023-2027	1,590,000	904,186	2,494,186
2028-2032	2,165,000	466,750	2,631,750
2033	515,000	25,750	540,750
Total	\$ 6,385,000	\$ 3,939,388	\$ 10,324,388

Legal Debt Margin

Under the statutes of the State of Missouri, the limit of bonded indebtedness is 5% of the most recent assessed valuation. The legal debt limit based on the 2011 assessed valuation, is \$33,644,214. The Library currently has no general obligation bonds outstanding; therefore, the legal debt limit is \$33,644,214.

Obligations secured by annually appropriated funds, such as the Series 2009 Certificates of Participation, do not constitute an indebtedness for purposes of any Missouri statutory or constitutional debt limit.

8. EMPLOYEES' RETIREMENT PLANS

The Library participates in the City of Kirkwood's defined contribution multiple employer Civilian Employees Retirement Fund (CERF) which covers all nonuniformed employees of the City of Kirkwood, the Kirkwood Public Library, and the Kirkwood Housing Authority. Employees are eligible for participation in the CERF upon completing 500 hours of service in a consecutive six-month period.

KIRKWOOD PUBLIC LIBRARY

Notes to Basic Financial Statements (continued)

The CERF receives contributions from the Library in accordance with City ordinances, in an amount equal to 5% of each participating employees' gross wages. Vesting of employer contributions occurs after five years of service.

Nonvested participant accounts are forfeited to the CERF upon termination of employment. The forfeited amounts reduce the City's required contribution in the year of termination.

Benefits are paid upon retirement in the form of a lump-sum, series of substantially equal installments or an annuity with optional surviving spouse benefits. The CERF purchases annuities for retirees who choose the annuity form of retirement payment. These annuities are not reflected in the assets of the CERF.

Participants may choose to have funds invested on their behalf in any one of the following, or any combination thereof, types of investments of open-end mutual funds: Short-term reserves, bond funds, balanced funds (stocks and bonds), domestic stock funds and international stock funds.

The amount contributed to the Kirkwood pension plan was \$23,100 for the year ended June 30, 2012.

The CERF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing: City of Kirkwood, 139 South Kirkwood, Kirkwood, Missouri 63122.

The Library also has available a cash or deferred Arrangement (CODA) under Code Section 401(a). Under this Plan, the Library contributes eight percent of each eligible employee who agrees to match this amount with a contribution to their Code Section 457 account. Contributions made by the Library for employees for the fiscal year ended June 30, 2012 totaled \$7,925.

9. MUNICIPAL LIBRARY CONSORTIUM

The Library is a member of the Municipal Library Consortium of St. Louis County, an association of independent municipal libraries. The purpose of the Consortium is to develop and maintain a shared automation system and to provide and maintain developing information technologies for the citizens of the member libraries' communities. The members are the Brentwood, Ferguson, Kirkwood, Richmond Heights, Rock Hill, University City Library, Valley Park, Webster Groves and Maplewood Libraries.

The Consortium will have full ownership of all system hardware, software, peripherals and other property relating to the central site automated system, which will be located at University City Library. Each member will purchase or lease and maintain its own terminals, data transmission devices, barcodes, printers and other peripheral equipment.

Initially, each member will pay their proportionate share of the automated system's costs according to its percentage of ports in the total system, its percentage of bibliographic records and its percentage of all members prior year's circulation.

KIRKWOOD PUBLIC LIBRARY

Notes to Basic Financial Statements (continued)

It is not intended that the Consortium shall act for profit. Net assets, if any, will be distributed to members in the event of termination. The consortium's fiscal year will run from July 1 to June 30. Financial statements are not available.

10. RELATED PARTY TRANSACTIONS

The Library had the following transactions with related parties:

City of Kirkwood - Expenses	
Electric, Water, Sanitation	\$40,161
Medical Insurance	83,392
Pension	23,100
Contributions from:	
The Friends of Kirkwood Public Library	28,090
Municipal Library Consortium of St. Louis County - Expenses	31,235

11. OPERATING LEASES

The Library has entered into an operating lease for office equipment. Rental payments were approximately \$2,820 for the year ended June 30, 2012. Future minimum lease payments as of June 30, 2012 are as follows:

<u>Year ending June 30,</u>	<u>Total</u>
2013	\$ 2,820
2014	2,820
2015	2,820
2016	<u>2,115</u>
Total	<u>\$10,575</u>

12. RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library obtains commercial insurance to transfer these risks. Settled claims have not exceeded coverage in any of the past three fiscal years.

KIRKWOOD PUBLIC LIBRARY

Notes to Basic Financial Statements (continued)

13. RECENT ACCOUNTING PRONOUNCEMENTS

The accounting principles governing the reported amounts, presentation and related disclosures are subject to change from time to time based on new pronouncements and/or rules issued by various governing bodies. The Government Accounting Standards Board (GASB) is responsible for establishing generally accepted accounting principles (GAAP) for state and local governments.

In November 2010, the GASB issued Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The requirements of this Statement are effective for periods beginning after June 15, 2012.

In December 2010, the GASB issued Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the private sector standards issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The requirements of this Statement are effective for periods beginning after December 15, 2011.

In June 2011, the GASB issued Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. The requirements of this Statement are effective for periods beginning after December 15, 2011.

In April, 2012, the GASB issued Statement No. 65, "Items Previously Reported as Assets and Liabilities." The objective of this Statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The requirements in this Statement are effective for periods beginning after December 15, 2012.

KIRKWOOD PUBLIC LIBRARY

Notes to Basic Financial Statements (continued)

In March, 2012, the GASB issued Statement No. 66, "Technical Correction – 2012 – an amendment of GASB Statements No. 10 and No. 62." The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54 and No. 62. The requirements in this Statement are effective for periods beginning after December 15, 2012.

In June 2012, the GASB issued Statement No. 67 "Financial Reporting for Pension Plans" and Statement No. 68 "Accounting and Reporting for Pensions." The objective of these statements is to revise existing accounting and financial reporting requirements for most pension plans, and to revise and establish new financial reporting requirements for most governments that provide their employees with pension benefits. The requirements in Statement No. 67 are effective for periods beginning after June 15, 2013, and the requirements in Statement No. 68 are effective for periods beginning after June 15, 2014.

The effects on the Library's financial statements as a result of the adoption of these new pronouncements are unknown.

Required Supplementary Information

KIRKWOOD PUBLIC LIBRARY

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE –
BUDGET AND ACTUAL – BUDGETARY BASIS – GENERAL FUND – UNAUDITED
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 2,002,932	\$ 2,077,592	\$ 2,077,592	\$ -
State aid	-	13,759	13,759	-
Investment earnings	5,000	14,024	16,214	2,190
Fines	64,500	65,341	65,373	32
Fees	22,200	30,539	28,165	(2,374)
Grants	-	21,346	21,346	-
Collection income	400	872	872	-
Other	169,250	169,466	2,373	(167,093)
Gifts	-	33,143	531,240	498,097
Total revenues	2,264,282	2,426,082	2,756,934	330,852
EXPENDITURES:				
Personnel:				
Salaries and wages	742,127	730,010	721,177	8,833
Pension	39,202	30,936	27,484	3,452
Payroll taxes	56,772	51,932	53,096	(1,164)
Medical insurance	115,000	95,389	83,392	11,997
Workman's compensation	6,000	2,121	2,121	-
Professional development	20,000	13,477	14,712	(1,235)
Total personnel	979,101	923,865	901,982	21,883
Library materials:				
Reference books	25,000	23,327	23,327	-
Children's books	63,700	63,142	63,142	-
Adult books	83,500	106,734	106,708	26
Children's audio visual	21,600	20,780	20,780	-
Adult audio visual	80,000	95,632	95,632	-
Subscriptions and memberships	19,800	20,151	20,151	-
Total library materials	293,600	329,766	329,740	26
Administrative services:				
Office supplies	8,000	10,126	10,113	13
Audit	14,400	16,281	16,281	-
Postage	7,500	5,219	5,219	-
Printing	18,000	11,283	11,283	-
Advertising	7,000	7,584	7,584	-
Professional services	40,000	30,363	29,561	802
Public programming	17,500	25,906	25,552	354
Collection agency	2,350	2,318	2,318	-
Board expenses	1,000	330	330	-
Total administrative services	115,750	109,410	108,241	1,169

KIRKWOOD PUBLIC LIBRARY

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE –
BUDGET AND ACTUAL – BUDGETARY BASIS – GENERAL FUND – UNAUDITED
(CONTINUED)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (CONTINUED):				
Utilities and services:				
Electric, water, sanitation	42,000	35,517	35,517	-
Gas	4,000	4,124	4,124	-
Telephone	14,300	11,756	12,417	(661)
Insurance	19,000	32,129	32,129	-
Operation services	42,370	44,875	44,761	114
Maintenance and repair	8,000	13,029	(1,791)	14,820
Janitorial supplies	6,000	6,375	6,375	-
Total utilities and services	135,670	147,805	133,532	14,273
Consortium:				
Contractual staff	17,000	11,023	11,023	-
Consortium computer and other	24,000	23,468	23,468	-
Libraries without boundaries	9,000	(3,316)	(3,316)	-
Total consortium	50,000	31,175	31,175	-
Capital outlay:				
Computer equipment	27,000	39,974	39,974	-
Furniture and equipment	11,000	10,826	25,646	(14,820)
Capital improvement reserve	-	638,133	-	638,133
Total capital outlay	38,000	688,933	65,620	623,313
Debt Service:				
Principal	170,000	170,000	170,000	-
Interest and fees	284,623	115,157	284,623	(169,466)
Total debt service	454,623	285,157	454,623	(169,466)
Total expenditures	2,066,744	2,516,111	2,024,913	491,198
Excess of revenues over expenditures	197,538	(90,029)	732,021	822,050
Other financing sources:				
Sale of library assets	1,250	3,819	3,819	-
Total other financing sources	1,250	3,819	3,819	-
Net change in fund balance	\$ 198,788	\$ (86,210)	\$ 735,840	\$ 822,050

KIRKWOOD PUBLIC LIBRARY

**NOTES TO BUDGETARY COMPARISON INFORMATION
JUNE 30, 2012**

1. Budgets and Budgetary Accounting

The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Library adopts a budget for the general fund. The budget document contains the minimum information required by Chapter 67, RSMo.
2. In May, the Finance Committee submits to the Board of Trustees a proposed budget for the fiscal year beginning on the following July 1. The proposed budget includes estimated revenues and proposed expenditures for all Library governmental funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year.
3. A public hearing is conducted to obtain taxpayer comments. Prior to its approval by the Board of Trustees, the budget document is available for public inspection.
4. Prior to July 1, the budget is legally enacted by a vote of the Board of Trustees.
5. Subsequent to its formal approval of the budget, the Board of Trustees has the authority to make necessary adjustments to the budget by formal vote of the Board. Adjustments made during the year are reflected in the budget information included in the financial statements.
6. Budgets are adopted on a cash basis of accounting.
7. Appropriations lapse at year end.

KIRKWOOD PUBLIC LIBRARY

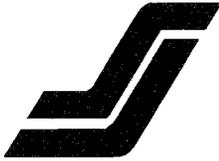
**NOTES TO BUDGETARY COMPARISON INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

2. Adjustments to Convert Budgetary Basis to Modified Accrual Basis

The following is a reconciliation of the adjustment necessary to convert from the budget basis to the modified accrual basis:

	<u>General Fund</u>
Net change in fund balance, Budgetary Basis	\$ 735,840
Taxes and other receivables	91,292
Prepaid expenses	15,139
Accrued expenses	(16,475)
Accounts payable	(66,786)
Deferred revenues	(73,241)
Reverse June 30, 2011 accruals	<u>26,908</u>
 Net change in fund balance, Modified Accrual Basis	 <u>\$ 712,677</u>

Additional Supplementary Information



SCHOWALTER & JABOURI, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
11878 GRAVOIS ROAD
ST. LOUIS, MISSOURI 63127
(314) 849-4999
FAX (314) 849-3486

FINANCIAL SERVICES
COMPUTER SOLUTIONS
ADMINISTRATIVE OFFICES

11777 GRAVOIS ROAD
ST. LOUIS, MISSOURI 63127
(314) 842-2929
FAX (314) 842-3483

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

To the Members of the Board of Trustees
Kirkwood Public Library

We have audited the financial statements of the governmental activities and each major fund of the Kirkwood Public Library (the "Library") as of and for the year ended June 30, 2012, which collectively comprise the Library's basic financial statements and have issued our report thereon dated October 9, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

Management of the Library is responsible for establishing and maintaining effective 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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.

MEMBERS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS • MISSOURI SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
AICPA GOVERNMENTAL AUDIT QUALITY CENTER • AICPA EMPLOYEE BENEFIT PLAN AUDIT QUALITY CENTER

"SCHOWALTER & JABOURI, P.C. IS A MEMBER OF NEXIA INTERNATIONAL, A WORLDWIDE NETWORK OF INDEPENDENT ACCOUNTING AND CONSULTING FIRMS."

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*.

We noted certain matters that we reported to management in a separate letter dated October 9, 2012.

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


SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri
October 9, 2012