

HAYS PUBLIC LIBRARY

Hays, Kansas

Primary Government Financial Statement
With Independent Auditors' Report

For the Year Ended December 31, 2009

HAYS PUBLIC LIBRARY
Primary Government Financial Statements with Independent Auditors' Report
For the Year Ended December 31, 2009

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Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

To the Library Board of Directors
Hays Public Library
Hays, Kansas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Hays Public Library**, a component unit of the City of Hays, Kansas, as of and for the year ended December 31, 2009, which collectively comprise the basic financial statements of the Library's primary government as listed in the table of contents. These financial statements are the responsibility of the **Hays Public 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 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 do not include financial data for the Library's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for this component unit to be reported with the financial data of the Library's primary government unless the Library also issues financial statements for the financial reporting entity that include the financial data for its component unit. The Library has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net assets, revenues, and expenses of the aggregate discretely presented component unit would have been reported as \$102,329.

The financial statements do not include the required annual cost and long-term obligations of the Library's Other Postemployment Benefits as required by Governmental Auditing Standards Board Statements Number 43 and Number 45. Accounting principles generally accepted in the United States of America require the financial data for these Other Postemployment Benefits be reported in the primary government financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities and net assets of the primary government financial statements are not reasonably determinable and are presumed to be material.

In our opinion, because of the departures mentioned in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component unit and the

To the Library Board of Directors
Hays Public Library
Page Two

Other Postemployment Benefits of the **Hays Public Library**, as of December 31, 2009, or the changes in financial position thereof for the year then ended.

In addition, 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 **Hays Public Library**, as of December 31, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 20 through 30, are not a required part of the basic financial statements but are 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 **Hays Public Library's** basic financial statements. The introductory section and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Adams, Brown, Beran, & Ball

ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

March 09, 2010

HAYS PUBLIC LIBRARY
Management's Discussion and Analysis

The discussion and analysis of the **Hays Public Library's** financial performance provides an overview of the Library's financial activities for the year ended December 31, 2009. Please read in conjunction with the Library's financial statements, which begins after this letter.

FINANCIAL HIGHLIGHTS

2009 Budget and 2009 Disbursements

The **Hays Public Library** received \$28,461 less in 2009 disbursements than were anticipated in the Library's 2009 Budget, the result of Transportation Development District tax abatements which affected all City levy funds.

Economic Crisis and Budget Reserves

The **Hays Public Library** had submitted its 2009 Budget before the onset of the August, 2008 financial crisis. Because of financial reserves, the Library was able to meet its financial requirements in 2009 and will be able to in the foreseeable future.

In 1986, at the behest of Emporia Public Library Director Dan Masoni and **Hays Public Library** Director Melanie Miller, the Kansas Legislature approved an accruing capital improvement fund (K.S.A. 12-1258) which would allow libraries to carry 10% of their general fund budgets over to the next fiscal year for capital improvements and major equipment purchases. The fund was designed to serve as a nest egg for both unanticipated and planned major capital acquisitions and to avoid the need for no-fund warrants.

Reserves are not limited to the accruing capital fund. At the recommendation of the auditor, the **Hays Public Library** Board allocated the 2009 General Fund balance to the Library's Unencumbered General Fund.

Upgraded and Expanded Fire Alarm System

The Library building, renovated and expanded in 2004, continued to house a fire alarm system which was installed in the mid-1990's. The Library was informed by the architect that code did not require an expansion of the system into the Library's 2004 Beach wing. In 2009, the Library installed a new fire alarm system and expanded the system into the wing. Like the old system, the new system has a monitoring feature in which a central monitoring entity is alerted in the event of an alarm. The revenue for the \$28,987 upgraded and expanded fire alarm system was supplied by the Library's Accruing Capital Improvement Fund.

2009 Circulation and Use Patterns

2009 saw a decrease in book circulation and reading, particularly among young children. Library computer use, both on and off-site rose in all age groups. Among the off-site use was the Dorothy Richards Kansas Room's historic Hays photograph collection, digitized in 2008.

Retroactive Bibliographic Data Entry for the Library's New OPAC

Considerable staff time was expended in the retroactive bibliographic data entry of ISBN-13's, which will allow the Library to bring up its SIRSIDYNIX enhanced content online public access catalog. The enhanced OPAC will include dust jacket (book cover) illustrations and critical reviews.

HAYS PUBLIC LIBRARY
Management's Discussion and Analysis

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities on pages 7 through 8 provide information about the activities of the Library as a whole and present a longer-term view to the Library's finances. Fund financial statements start on page 20. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Library's operations in more detail than the government wide statements by providing information about the Library's most significant funds.

REPORTING THE LIBRARY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

Our analysis of the Library as a whole begins on page 7. One of the most important questions asked about the Library's finances is "Is the Library as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Library as a whole and about its activities that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Library's net assets and changes in them. Think of the Library's net assets - the difference between assets and liabilities - as one way to measure the Library's financial health or financial position. Over time, increases or decreases in the Library's net assets are one indicator of whether financial health is improving or deteriorating.

The Library has elected not to include the component unit in these financial statements. The notes to the financial statements contain more information concerning the entity that is considered a component unit of the Library. Financial statements of the component unit can be obtained by contacting the **Hays Public Library Director**.

REPORTING THE LIBRARY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Analysis of the Library's major funds begins on page 9. The fund financial statements begin on page 20 and provide detailed information about the most significant funds, not the Library as a whole. However, the Library Board established other funds to help or control money for particular purposes or to show that it is meeting legal responsibility for using grants and other monies. The Library uses governmental funds.

The Library's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can regularly be converted to cash. The governmental fund statements provide a short-term view of the Library's general government operations and the services it provides.

Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Library's programs. We describe the relationship (or differences) between governmental activities (reported in a statement of net assets and the statement of activities) and the governmental funds in reconciliation at the bottom of the fund financial statements.

HAYS PUBLIC LIBRARY
Management's Discussion and Analysis

THE LIBRARY AS A WHOLE

TABLE 1
NET ASSETS

	Governmental Activities and Total Primary Government	
	2009	2008
	<u>2009</u>	<u>2008</u>
Current Assets	\$ 2,256,475	2,198,122
Capital Assets	3,853,716	3,906,011
Total Assets	<u>6,110,191</u>	<u>6,104,133</u>
Current Liabilities	1,378,148	1,359,011
Other Liabilities	161,096	144,180
Total Liabilities	<u>1,539,244</u>	<u>1,503,191</u>
Invested in Capital Assets	3,853,716	3,906,011
Reserved	17,802	18,439
Unrestricted	699,429	676,492
Total Net Assets	<u>\$ 4,570,947</u>	<u>4,600,942</u>

TABLE 2
STATEMENT OF ACTIVITIES

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	
					2009	2008
Primary Government						
Governmental Activities						
General Government	\$ 1,438,707	5,543	19,541	31,413	(1,382,210)	(1,314,433)
General Revenues, Special Items, and Transfers						
					\$ 1,307,807	1,256,741
City of Hays, KS Apportionment					10,126	19,539
Unrestricted Investment Earnings					2,923	4,751
Miscellaneous					18,055	19,420
Fines and Forfeitures					13,304	11,681
Reimbursements						
Total General Revenues, Special Items and Transfers					<u>1,352,215</u>	<u>1,312,132</u>
Change in Net Assets					(29,995)	(2,301)
Net Assets - Beginning					<u>4,600,942</u>	<u>4,603,243</u>
Net Assets - Ending					<u>\$ 4,570,947</u>	<u>4,600,942</u>

CAPITAL ASSET ADMINISTRATION

At the end of 2009, the Library had \$3,853,716 invested in capital assets net of depreciation. Significant capital purchases for 2009 included iron outdoor benches, Young Adult software and operating systems, an automation upgrade, a television, a viewpointer server, an outdoor book return, a fire alarm system, a furniture set, books and non print items totaling \$265,955.

HAYS PUBLIC LIBRARY
Management's Discussion and Analysis

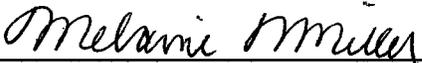
TABLE 3
CAPITAL ASSETS AT YEAR-END (NET OF DEPRECIATION)

	Governmental Activities and Total Primary Government	
	2009	2008
Building	\$ 3,019,272	3,107,818
Equipment	49,064	42,185
Furniture and Fixtures	194,134	188,311
Books and Non Prints	591,246	567,697
Total	\$ 3,853,716	3,906,011

CONTACTING THE LIBRARY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Library's finances. The report is also designed to show the Library's accountability for the money it receives.

Further questions concerning this report or the financial status of the **Hays Public Library**, should be directed to the Library Director's office at 1205 Main, Hays, Kansas (785) 625-9014.



Melanie Miller
Library Director
Hays Public Library

HAYS PUBLIC LIBRARY
Statement of Net Assets
December 31, 2009
(With Comparative Totals for December 31, 2008)

	Primary Government Governmental Activities	
	2009	2008
Assets		
Cash and Cash Equivalents	\$ 901,526	843,415
Apportionments Receivable - Net of Allowance for Uncollectibles	1,337,147	1,336,268
Restricted Cash - Beach Donation	17,802	18,439
Capital Assets - Net of Depreciation		
Building	3,019,272	3,107,818
Equipment	49,064	42,185
Furniture and Fixtures	194,134	188,311
Books and Non Prints	591,246	567,697
	6,110,191	6,104,133
Liabilities		
Accounts Payable	34,894	17,744
Accrued Payroll Liabilities	6,107	4,999
Deferred Revenue	1,337,147	1,336,268
Compensated Absences	161,096	144,180
Total Liabilities	1,539,244	1,503,191
Net Assets		
Invested in Capital Assets	3,853,716	3,906,011
Reserved for Beach Donation	17,802	18,439
Unrestricted	699,429	676,492
Total Net Assets	\$ 4,570,947	4,600,942

The notes to the financial statements are an integral part of these statements.

HAYS PUBLIC LIBRARY

Statement of Activities

For the Year Ended December 31, 2009

(With Comparative Totals for the Year Ended December 31, 2008)

Functions/Programs Primary Government	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities 2009	2008
Governmental Activities General Government	\$ 1,442,363	5,543	19,541	31,413	(1,385,866)	(1,314,433)
General Revenues, Special Items, and Transfers						
City of Hays, KS Apportionment					\$ 1,307,807	1,256,741
Unrestricted Investment Earnings					10,126	19,539
Miscellaneous					6,579	4,751
Fines and Forfeitures					18,055	19,420
Reimbursements					13,304	11,681
Total General Revenues, Special Items and Transfers					1,355,871	1,312,132
Change in Net Assets					(29,995)	(2,301)
Net Assets - Beginning					4,600,942	4,603,243
Net Assets - Ending					\$ 4,570,947	4,600,942

The notes to the financial statements are an integral part of these statements.

HAYS PUBLIC LIBRARY
Balance Sheet
Governmental Funds
December 31, 2009
(With Comparative Totals for December 31, 2008)

	General Fund	Library Employee Benefit Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds	
					2009	2008
ASSETS						
Cash and Cash Equivalents	\$ 302,483	54,864	512,543	31,636	901,526	843,415
Apportionments Receivable - Net	1,185,247	151,900	-	-	1,337,147	1,336,268
Reserved Cash	17,802	-	-	-	17,802	18,439
Total Assets	\$ 1,505,532	206,764	512,543	31,636	2,256,475	2,198,122
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts Payable	\$ 34,894	-	-	-	34,894	17,744
Accrued Payroll Liabilities	-	6,107	-	-	6,107	4,999
Deferred Revenues	1,185,247	151,900	-	-	1,337,147	1,336,268
Total Liabilities	1,220,141	158,007	-	-	1,378,148	1,359,011
Fund Balance						
Reserved						
Reserved for Beach Donation	17,802	-	-	-	17,802	18,439
Unreserved						
Undesignated	267,589	48,757	512,543	31,636	860,525	820,672
Total Fund Balance	285,391	48,757	512,543	31,636	878,327	839,111
Total Liabilities and Fund Balance	\$ 1,505,532	206,764	512,543	31,636	2,256,475	2,198,122

The notes to the financial statements are an integral part of these statements.

HAYS PUBLIC LIBRARY
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
December 31, 2009

Amounts reported for governmental activities in the Statement of Net Assets differ from the fund balances of Governmental Funds on the preceding balance sheet as shown in the following reconciliation:

Fund Balances of Governmental Funds from the Balance Sheet.	\$ 878,327
Capital assets, net of depreciation, have not been included as financial resources in Governmental Fund activity on the Balance Sheet.	3,853,716
Compensated absences have not been included in the Governmental Fund activity on the Balance Sheet.	<u>(161,096)</u>
Net Assets of Governmental Activities as reported on the Statement of Net Assets.	<u>\$ 4,570,947</u>

The notes to the financial statements are an integral part of these statements.

HAYS PUBLIC LIBRARY
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2009
(With Comparative Totals for the Year Ended December 31, 2008)

	General Fund	Library Employee Benefit Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds	
					2009	2008
Revenues						
Intergovernmental	\$ 1,157,819	149,988	-	31,413	1,339,220	1,302,567
FHSU Workstudy	13,304	-	-	-	13,304	11,681
Fines and Forfeitures	18,055	-	-	-	18,055	19,420
Charges for Services	5,543	-	-	-	5,543	5,090
Grants	10,495	-	-	-	10,495	11,571
Donations	9,046	-	-	-	9,046	1,629
Miscellaneous	6,579	-	-	-	6,579	4,751
Interest on Income	10,126	-	-	-	10,126	19,539
Total Revenues	1,230,967	149,988	-	31,413	1,412,368	1,376,248
Expenditures						
General Government	943,815	134,551	-	-	1,078,366	1,046,391
Capital Outlay	214,105	-	43,986	36,695	294,786	263,338
Total Expenditures	1,157,920	134,551	43,986	36,695	1,373,152	1,309,729
Excess (Deficiency) of Revenues Over Expenditures	73,047	15,437	(43,986)	(5,282)	39,216	66,519
Other Financing Sources (Uses)						
Transfers In	-	-	-	-	-	89,181
Transfers Out	-	-	-	-	-	(89,181)
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Change in Fund Balances	73,047	15,437	(43,986)	(5,282)	39,216	66,519
Fund Balance - January 1	212,344	33,320	556,529	33,918	836,111	772,592
Fund Balance - December 31	\$ 285,391	48,757	512,543	28,636	875,327	839,111

The notes to the financial statements are an integral part of these statements.

HAYS PUBLIC LIBRARY
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2009

Net Changes in Fund Balances - Total Governmental Funds (Statement 4).	\$ 39,216
Amounts reported for Governmental Activities in the Statement of Activities (Statement 2) are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$318,250) exceeded capital outlays (\$265,955) in the current period.	(52,295)
Compensated Absences increased from the prior year. These balances are not accounted for in the General Governmental Funds; however, the changes are reflected in the Statement of Activities.	<u>(16,916)</u>
Change in Net Assets of Governmental Activities (Statement 2).	<u>\$ (29,995)</u>

The notes to the financial statements are an integral part of these statements.

HAYS PUBLIC LIBRARY
Notes to Financial Statements
For the Year Ended December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the **Hays Public Library**, relating to the funds included in the accompanying financial statements, conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governments (GASB 34 Edition), and by the Financial Accounting Standards Board, when applicable. The following is a summary of such significant policies:

A. Financial Reporting Entity

The **Hays Public Library** is organized under Kansas Statutes in the City of Hays, Kansas, for the purpose of operating a public library for the residents of the City of Hays, Kansas. A board consisting of seven members is appointed by the Hays City Commissioners. The Board elects an executive board and adopts rules and regulations for the administration of the Library as it deems necessary. The Library receives funding from local and state governmental sources and must comply with the requirement of these funding sources.

The **Hays Public Library** is a component unit of the City of Hays, Kansas. The Library is controlled by or dependent on the City of Hays, Kansas. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board. These financial statements include only the funds of the Library.

The **Hays Public Library** is a primary government as defined in GASB #14 and further amended by GASB #39. The Library Board has the authority to make decisions, influence operations, and has the primary accountability in fiscal matters. The following is the component unit of the **Hays Public Library**. The Library exercises significant influence or accountability based primarily on operational or financial relationships with the Library (as distinct from legal relationships).

The Library has the following component unit that has not been audited and is excluded from the financial reporting entity:

Hays Public Library Trust

The Hays Public Library Trust provides support in order to facilitate the goals and needs of the Library and to promote Library services. Contact the Library Director, Melanie Miller, for information on how to obtain a copy of the financial statements.

B. Government-Wide and Fund Financial Statements

The Government-Wide Financial Statements, the Statement of Net Assets and the Statement of Activities report financial information for the Library as a whole excluding fiduciary activities. Individual funds are not displayed.

The Statement of Activities reports the direct expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Direct expenses are those that are clearly identifiable with a specific function or segment.

HAYS PUBLIC LIBRARY
Notes to Financial Statements
For the Year Ended December 31, 2009

B. Government-Wide and Fund Financial Statements (continued)

Program revenues include charges for services which report fees, fines, and other charges to users of the Library's services, operating grants which finance annual operating activities including investment income, and capital grants which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Other revenue sources not properly included with program revenues are reported as general revenues.

Separate financial statements are provided for Governmental Funds. Major individual Governmental Funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets. The operating statements present increases and decreases in net total assets. Under the accrual basis of accounting, revenues are recorded when earned, and expenses are recorded when a liability is incurred.

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. The government considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for un-matured interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The Library reports deferred revenue on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Library before it has legal claim to them, as when grant monies are received prior to incurring a qualifying expenditure. In subsequent periods, when both revenue recognition criteria are met, or when the Library has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

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

The **Hays Public Library** reports the following major governmental funds:

Governmental Fund Categories

General Fund – The General Fund is the main operating fund of the Library. This fund accounts for all unrestricted resources except those required to be accounted for in another fund.

Capital Improvement Fund – This fund accounts for resources used for the purpose of improving, furnishing, equipping, remodeling, or making additions to the Library.

HAYS PUBLIC LIBRARY
Notes to Financial Statements
For the Year Ended December 31, 2009

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The Library reports the following non-major governmental funds:

Special Revenue Funds – To account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to be expensed for specified purposes.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

D. Accounting for Capital Assets and Depreciation

Capital assets, which include property and equipment, are reported in the governmental column of the government-wide financial statements. Capital assets are defined by the Library as assets or a group of assets that aggregate a cost of \$500 or more and an estimated useful life in excess of three years. These assets are valued at historical cost, estimated historical cost if actual cost is not available, or the estimated fair value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The sale or disposal of capital assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation has been provided over the estimated useful lives using the straight-line method for all items reported in the primary government. The estimated useful lives are as follows:

Building	40 Years
Equipment	6 Years
Furniture and Fixtures	10 Years
Books and Nonprints	7 Years

	Beginning Balances	Increases	Decreases	Ending Balances
Depreciable Capital Assets				
Building	\$ 3,971,567	-	-	3,971,567
Equipment	419,919	55,568	-	475,487
Furniture and Fixtures	186,769	7,662	-	194,431
Books and Nonprints	2,858,865	202,725	(131,194)	2,930,396
Total Depreciable Capital Assets	7,437,120	265,955	(131,194)	7,571,881
Accumulated Depreciation	(3,531,109)	(318,250)	131,194	(3,718,165)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 3,906,011	(52,295)	-	3,853,716

HAYS PUBLIC LIBRARY
Notes to Financial Statements
For the Year Ended December 31, 2009

E. Budgets

The **Hays Public Library** is not subject to the legal annual operating budget requirements, but is controlled by the use of an internal budget established by the governing body. The internal budget is the source of the budget amounts listed on Statement 5.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

F. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the Governmental Funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

G. Deposits and Investments

The Library follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund type in the combined balance sheet.

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

K.S.A. 12-1675 limits the Library's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Library has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the Library may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. State statutes require the Library's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Library did not use "peak periods" during 2009. All deposits were legally secured at December 31, 2009.

HAYS PUBLIC LIBRARY
Notes to Financial Statements
For the Year Ended December 31, 2009

G. Deposits and Investments (continued)

At December 31, 2009, the Library's carrying amount of deposits was \$919,328, and the bank balance was \$924,222. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$500,000 was covered by federal depository insurance and \$424,222 was collateralized with securities held by the pledging financial institutions' agents in the Library's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of failure of the issuer or counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

At December 31, 2009, the Library had no investments.

H. Apportionments Receivable

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operations of the Library; and therefore, are not susceptible to accrual. Accruals of uncollected current year property taxes are offset by deferred revenues.

I. Inventories and Prepaid Items

In both government-wide and fund financial statements, payments made to vendors for goods or services that will benefit periods beyond the current fiscal year are recorded as inventory or prepaid items when they are deemed material and it is considered appropriate.

J. Defined Benefit Pension Plan

Plan Description – Hays Public Library, participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy – K.S.A. 74-4919 establishes the KPERS member-employee contribution 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 rate 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 for calendar year 2009 was 6.54%. **Hays Public Library** employer contributions to KPERS for the years ending December 31, 2009, 2008 and 2007 were \$34,943, \$33,228, and \$24,740, respectively, equal to the required contributions for each year.

HAYS PUBLIC LIBRARY
Notes to Financial Statements
For the Year Ended December 31, 2009

K. Other Post Employment Benefits

As provided by K.S.A. 12-5040, the Library allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the Library is subsidizing the retirees because each participant is charged a level of premium regardless of age. As of December 31, 2009, there were no retirees participating in the group health insurance plan.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Library makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program.

L. Compensated Absences

No vacation time is accumulated during the first six months of employment. At the end of the six month period, full-time employees will be given one day of vacation per month through December 31 of that year. Total vacation earned by an employee shall not exceed twenty working days per year. Employees are allowed to carry over no more than one year's accumulated vacation to the next year. Upon termination of employment, all vacation is forfeited.

A full-time employee is allowed one day sick leave per month. There is no limit to the amount of sick leave that can be earned. However, upon termination of employment, all sick leave is forfeited.

Employee hours worked beyond the normal forty hours per week may be taken off in timely fashion, with the approval of the employee's supervisor in the form of compensatory time. Upon termination of employment, all compensatory time is forfeited.

The liability for vacation, compensatory time, and sick leave applicable to the governmental activities at December 31, 2009 has been recorded in the Statement of Net Assets for the amount of \$161,096.

NOTE 2 – COMPARATIVE DATA

Comparative total data for the prior year has been presented in the accompanying supplemental financial statements in order to provide an understanding of the changes in the Library's financial position and operations.

NOTE 3 – USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 4 – LITIGATION

The Library is party to various legal proceedings which normally occur in governmental operations. The legal proceedings are not likely to have a material adverse impact on the funds of the Library.

HAYS PUBLIC LIBRARY
Notes to Financial Statements
For the Year Ended December 31, 2009

NOTE 5 – RISK MANAGEMENT – CLAIMS AND JUDGMENTS

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 has been able to obtain errors and omissions insurance at a cost it considered to be economically justifiable.

The Library carries commercial insurance for all other risks of loss, including property, general liability, crime, and workers compensation.

There were no significant reductions in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three calendar years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. As of December 31, 2009, the financial statements do not include liabilities for anticipated costs.

NOTE 6 – GRANTS AND SHARED REVENUES

The Library participates in state grant programs, which are governed by various rules and regulations for the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Library has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the Library, any liability for reimbursement, which may arise as the result of the audits, is not believed to be material.

HAYS PUBLIC LIBRARY

Hays, Kansas

Required Supplementary Information

HAYS PUBLIC LIBRARY
General Fund
Balance Sheets
December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 302,483	211,649
Receivables		
Apportionments Receivable	1,185,247	1,186,268
Other Asset		
Reserved Cash - Beach Donation	17,802	18,439
Total Assets	\$ <u>1,505,532</u>	<u>1,416,356</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ 34,894	17,744
Deferred Revenues	1,185,247	1,186,268
Total Liabilities	<u>1,220,141</u>	<u>1,204,012</u>
Fund Balance		
Reserved		
Reserved for Beach Donation	17,802	18,439
Unreserved		
Undesignated	267,589	193,905
Total Fund Balance	<u>285,391</u>	<u>212,344</u>
Total Liabilities and Fund Balance	\$ <u>1,505,532</u>	<u>1,416,356</u>

HAYS PUBLIC LIBRARY
General Fund

Summary Statements of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2009
(With Comparative Totals for the Year Ended December 31, 2008)

	2009			2008 Actual
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	
Revenues				
Intergovernmental	\$ 1,186,268	1,157,819	(28,449)	1,141,741
FHSU Workstudy	-	13,304	13,304	11,681
Fines and Forfeitures	54,000	18,055	(35,945)	19,420
Charges for Services	-	5,543	5,543	5,090
Grants	-	10,495	10,495	11,571
Donations	-	9,046	9,046	1,629
Miscellaneous	-	6,579	6,579	4,751
Interest on Income	24,000	10,126	(13,874)	19,539
Total Revenues	<u>1,264,268</u>	<u>1,230,967</u>	<u>(33,301)</u>	<u>1,215,422</u>
Expenditures				
Salaries	754,417	734,933	19,484	699,755
Legal and Professional	5,000	5,075	(75)	4,080
Continuing Education	39,000	23,017	15,983	14,536
Program Expenditures	-	17,935	(17,935)	17,880
Bequests	-	1,349	(1,349)	3,788
Binding	300	300	-	-
Insurance	12,000	11,529	471	11,109
Library Promotion	3,000	1,818	1,182	1,771
Supplies	15,000	17,793	(2,793)	21,103
Maintenance and Repair	36,000	35,924	76	32,240
Periodicals	11,500	11,430	70	9,213
Telephone	4,000	2,615	1,385	1,992
Utilities	90,000	66,044	23,956	69,739
Postage	15,000	14,053	947	16,767
Refunds	1,000	-	1,000	645
Tuition	-	-	-	8,624
Capital Outlay	278,051	214,105	63,946	199,879
Total Expenditures	<u>1,264,268</u>	<u>1,157,920</u>	<u>106,348</u>	<u>1,113,121</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ -</u>	<u>73,047</u>	<u>73,047</u>	<u>102,301</u>

See Accountants' Report.

**HAYS PUBLIC LIBRARY
General Fund**

Summary Statements of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2009
(With Comparative Totals for the Year Ended December 31, 2008)

	2009			2008 Actual
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	
Other Financing Sources (Uses)				
Transfers Out	\$ -	-	-	(89,181)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	-	73,047	73,047	13,120
Fund Balance - January 1	-	212,344	212,344	199,224
Fund Balance - December 31	\$ -	285,391	285,391	212,344

HAYS PUBLIC LIBRARY
Library Employee Benefit Fund
Balance Sheets
December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 54,864	38,319
Receivables		
Apportionments Receivable	<u>151,900</u>	<u>150,000</u>
Total Assets	<u>\$ 206,764</u>	<u>188,319</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities		
Accrued Payroll Liabilities	\$ 6,107	4,999
Deferred Revenues	<u>151,900</u>	<u>150,000</u>
Total Liabilities	<u>158,007</u>	<u>154,999</u>
Fund Balance		
Undesignated	<u>48,757</u>	<u>33,320</u>
Total Liabilities and Fund Balance	<u>\$ 206,764</u>	<u>188,319</u>

See Accountants' Report.

**HAYS PUBLIC LIBRARY
Library Employee Benefit Fund**

Summary Statements of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2009
(With Comparative Totals for the Year Ended December 31, 2008)

	2009			2008 Actual
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	
Revenues				
Intergovernmental	\$ 150,000	149,988	(12)	115,000
Expenditures				
KPERS	44,000	34,943	9,057	33,228
Social Security	58,000	56,222	1,778	53,531
Unemployment Taxes	6,000	2,237	3,763	5,557
Workmen's Compensation	4,000	4,626	(626)	4,540
Health Insurance	38,000	36,523	1,477	36,293
Total Expenditures	150,000	134,551	15,449	133,149
Excess (Deficiency) of Revenues Over Expenditures	-	15,437	15,437	(18,149)
Fund Balance - January 1	-	33,320	33,320	51,469
Fund Balance - December 31	\$ -	48,757	48,757	33,320

See Accountants' Report.

HAYS PUBLIC LIBRARY
State Aid Fund
 Balance Sheets
 December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ <u> -</u>	<u> -</u>
<u>FUND BALANCE</u>		
Fund Balance		
Undesignated	\$ <u> -</u>	<u> -</u>

State Aid Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Actual
 For the Year Ended December 31, 2009
 (With Comparative Totals for the Year Ended December 31, 2008)

	<u>Current Year Actual</u>	<u>Prior Year Actual</u>
Revenues		
Intergovernmental	\$ 12,437	13,390
Expenditures		
Capital Outlay	<u>12,437</u>	<u>13,390</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-
Fund Balance - January 1	<u> -</u>	<u> -</u>
Fund Balance - December 31	\$ <u> -</u>	<u> -</u>

See Accountants' Report.

HAYS PUBLIC LIBRARY
Central Kansas Library Service Fund
 Balance Sheets
 December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ <u>28,467</u>	<u>28,467</u>
<u>FUND BALANCE</u>		
Fund Balance Undesignated	\$ <u>28,467</u>	<u>28,467</u>

Central Kansas Library Service Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Actual
 For the Year Ended December 31, 2009
 (With Comparative Totals for the Year Ended December 31, 2008)

	<u>Current Year Actual</u>	<u>Prior Year Actual</u>
Revenues		
Intergovernmental	\$ 11,810	11,560
Expenditures		
Capital Outlay	<u>11,810</u>	<u>11,560</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-
Fund Balance - January 1	<u>28,467</u>	<u>28,467</u>
Fund Balance - December 31	\$ <u>28,467</u>	<u>28,467</u>

See Accountants' Report.

HAYS PUBLIC LIBRARY
Interlibrary Loan Development Program Fund
 Balance Sheets
 December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ <u>3,164</u>	<u>5,430</u>
<u>FUND BALANCE</u>		
Fund Balance Undesignated	\$ <u>3,164</u>	<u>5,430</u>

Interlibrary Loan Development Program Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Actual
 For the Year Ended December 31, 2009
 (With Comparative Totals for the Year Ended December 31, 2008)

	<u>Current Year Actual</u>	<u>Prior Year Actual</u>
Revenues		
Intergovernmental	\$ 3,416	6,626
Expenditures		
Capital Outlay	<u>5,682</u>	<u>7,775</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,266)	(1,149)
Fund Balance - January 1	<u>5,430</u>	<u>6,579</u>
Fund Balance - December 31	\$ <u>3,164</u>	<u>5,430</u>

See Accountants' Report.

HAYS PUBLIC LIBRARY
Central Kansas Library Service Computer Grant Fund
 Balance Sheets
 December 31, 2009 and 2008

		<u>2009</u>	<u>2008</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$	<u>5</u>	<u>21</u>
<u>FUND BALANCE</u>			
Fund Balance Undesignated	\$	<u>5</u>	<u>21</u>

Central Kansas Library Service Computer Grant Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Actual
 For the Year Ended December 31, 2009
 (With Comparative Totals for the Year Ended December 31, 2008)

		<u>Current Year Actual</u>	<u>Prior Year Actual</u>
Revenues			
Intergovernmental	\$	3,750	11,250
Expenditures			
Capital Outlay		<u>3,766</u>	<u>11,229</u>
Excess (Deficiency) of Revenues Over Expenditures		(16)	21
Fund Balance - January 1		<u>21</u>	<u>-</u>
Fund Balance - December 31	\$	<u>5</u>	<u>21</u>

See Accountants' Report.

HAYS PUBLIC LIBRARY
Capital Improvement Fund
 Balance Sheets
 December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ <u>512,543</u>	<u>556,529</u>
<u>FUND BALANCE</u>		
Fund Balance Undesignated	\$ <u>512,543</u>	<u>556,529</u>

Capital Improvement Fund
 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Actual
 For the Year Ended December 31, 2009
 (With Comparative Totals for the Year Ended December 31, 2008)

	<u>Current Year Actual</u>	<u>Prior Year Actual</u>
Expenditures		
Capital Outlay	\$ <u>43,986</u>	<u>16,505</u>
Excess (Deficiency) of Revenues Over Expenditures	(43,986)	(16,505)
Other Financing Sources (Uses)		
Transfers In	<u>-</u>	<u>89,181</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	(43,986)	72,676
Fund Balance - January 1	<u>556,529</u>	<u>483,853</u>
Fund Balance - December 31	\$ <u>512,543</u>	<u>556,529</u>

See Accountants' Report.

HAYS PUBLIC LIBRARY
KAN-ED Grant Fund
 Balance Sheets
 December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ -	3,000
	<u> </u>	<u> </u>
<u>FUND BALANCE</u>		
Fund Balance		
Undesignated	\$ -	3,000
	<u> </u>	<u> </u>

KAN-ED Grant Fund

Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Actual
 For the Year Ended December 31, 2009
 (With Comparative Totals for the Year Ended December 31, 2008)

	<u>Current Year Actual</u>	<u>Prior Year Actual</u>
Revenues		
Intergovernmental	\$ -	3,000
Expenditures		
Capital Outlay	<u>3,000</u>	<u>3,000</u>
Excess (Deficiency) of Revenues Over Expenditures	(3,000)	-
Fund Balance - January 1	<u>3,000</u>	<u>3,000</u>
Fund Balance - December 31	<u>\$ -</u>	<u>3,000</u>

See Accountants' Report.