

CHANUTE PUBLIC LIBRARY
Chanute, Kansas

Financial Statement and
Independent Auditors' Report with
Supplemental Information

For the Year Ended December 31, 2012

CHANUTE PUBLIC LIBRARY
Chanute, Kansas

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JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Chanute Public Library
Chanute, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Chanute Public Library, Chanute, Kansas, a related municipal entity of the City of Chanute, Kansas, as of and for the year ended December 31, 2012, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 1 to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the Kansas Municipal Audit and Accounting Guide. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Chanute Public Library, Chanute, Kansas to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Chanute Public Library, Chanute, Kansas as of December 31, 2012, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Chanute Public Library, Chanute, Kansas as of December 31, 2012, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

Report on Regulatory Required Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedule 1 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however, are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

April 29, 2013
Chanute, Kansas

CHANUTE PUBLIC LIBRARY

Chanute, Kansas

Summary Statement of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis

For the Year Ended December 31, 2012

Funds	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Cash Balances December 31, 2012
Governmental Type Funds:						
General	\$ 84,131.89	\$ 478,615.47	\$ 388,698.66	\$ 174,048.70	\$ 27,262.09	\$ 201,310.79
Special Purpose Funds:						
Contingent	169,450.09	1,780.93	1,736.39	169,494.63	-	169,494.63
Capital Improvement	66,684.80	750.56	750.56	66,684.80	-	66,684.80
Trust Funds:						
Greve Memorial	21,615.84	227.40	227.40	21,615.84	-	21,615.84
Maxine Koch Diver Estate	18,500.00	185.50	185.50	18,500.00	-	18,500.00
Rotary Endowment	5,000.00	356.45	356.45	5,000.00	-	5,000.00
Total Reporting Entity	\$ 365,382.62	\$ 481,916.31	\$ 391,954.96	\$ 455,343.97	\$ 27,262.09	\$ 482,606.06
Composition of Cash						
	Cash on Hand.....					\$ 553.00
	Operating Account.....					26,780.74
	Savings Account.....					173,977.05
	Money Market.....					28,229.36
	U.S. Treasury Bill.....					4,960.54
	Certificates of Deposit.....					248,105.37
	Total Cash					\$ 482,606.06

The notes to the financial statement are an integral part of this statement.

CHANUTE PUBLIC LIBRARY
Chanute, Kansas

Notes to Financial Statement
December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement and schedules of the Chanute Public Library, Chanute, Kansas, have been prepared in order to show compliance with the cash basis laws of the State of Kansas. The Governmental Accounting Standards Board is the principal standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Library's accounting policies follow. Note 1 describes how the Library's accounting policies differ from generally accepted accounting policies.

Financial Reporting Entity

The Chanute Public Library (Library) is a municipality of the State of Kansas organized under K.S.A. 12-1219, with a seven-member Board of Trustees appointed by the City of Chanute, Kansas. The Library is a related municipal entity of the City of Chanute, Kansas.

Related Municipal Entities: A related municipal entity is determined by the following criteria. Whether the Library exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of the public service, and significant operational or financial relationships with the Library. Related municipal entities are not required to be included in the Library's audit by the Kansas Municipal Audit and Accounting Guide (KMAAG).

The Library has determined that no outside agency meets the above criteria and, therefore, no outside agency has been include as a related municipal entity in this financial statement.

Regulatory Basis Fund Types

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 following types of funds comprise the financial activities of the Chanute Public Library, for the year of 2012:

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

Special Purpose fund – used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation – Regulatory Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The municipality has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis of accounting.

Reimbursed Expenses

K.S.A. 79-2934 provides that reimbursed expenditures, in excess of those budgeted, should be recorded as reductions in expenditures rather than revenues. In the financial statement and budget schedule comparisons presented in this report, reimbursements and refunds are recorded as revenues. The reimbursements are recorded as receipts when received by the library treasurer and are often difficult to identify the exact expenditure which they are reimbursing. In funds showing expenditures in excess of the original adopted budget, reimbursements are added to the adopted budget as budget credits for comparison with the actual expenditures.

Pension Plan

Substantially all full-time Library employees are members of the State of Kansas Public Employees Retirement System, which is a multi-employer state-wide pension plan. The Library's policy is to fund all pension costs accrued. Such costs to be funded are actuarially determined annually by the State of Kansas.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Kansas Statutes

Statement 1 has been prepared in order to show compliance with the cash basis laws of Kansas. As shown in Statement 1, the Library was in compliance with the cash basis laws of Kansas.

3. DEPOSITS AND INVESTMENTS

As of year-end, the Library has the following investments.

<u>Investment Type</u>	<u>Cost</u>	<u>Rating</u>
US Treasury Note	\$ 4,960.54	N/A

This investment is reflected at cost in these regulatory basis financial statements of the Library.

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 branch or branch bank in the county in which the Library is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Library has no other policies that would further limit interest rate risk.

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

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

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. State statutes require the Library's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2012.

At year-end, the Library's carrying amount of deposits was \$477,092.52 and the bank balance was \$499,229.26. The bank balance was held by five banks resulting in a concentration of credit risk. Of the bank balances, \$499,229.26 was covered by FDIC insurance.

4. DEFINED BENEFIT PENSION PLAN

Plan description. The Library participates in the Kansas Public Employees Retirement System (KPERS). A cost-sharing, multiple-employer defined benefit pension plan as provided by Kansas law. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issue a publicly available financial report (only one is issued) that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

4. DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy. K.S.A. 74-4919 and K.S.A. 74-49,210 establishes the KPERS member-employee contribution rates. Effective July 1, 2009, KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. K.S.A. 74-4975 establishes KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

5. RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The Library manages these risks of loss through the purchase of various insurance policies.

6. OTHER POST EMPLOYMENT BENEFITS

As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the Library is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

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 Library under this program.

7. COMPENSATED ABSENCES

Regular employees earn and accumulate vacation leave as follows:

After One Full Year of Employment - 10 Days
After Ten Full Years of Employment - 15 Days
Library Director, with Master of Library Science Degree:
After One Full Year of Employment - 20 Days

Employees must use vacation within calendar year.

Full time employees earn and accumulate sick leave from the beginning of employment at the rate of 8 hours per month of service. Sick leave may be accumulated to a maximum of 30 days. Any unused sick leave at date of termination is lost, unless eligible for retirement under KPERS, in which case the employee shall be paid for all accumulated sick leave.

7. COMPENSATED ABSENCES (Continued)

The Library accrues a liability for compensated absences which meet the following criteria:

1. The Library's obligation relating to employees rights to receive compensation for future absences is attributable to employees' services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria, the Library has estimated a liability for vacation pay, which has been earned, but not taken by Library employees of \$0. The Library has not estimated a liability for sick leave earned, but not taken, by Library employees, as the amounts cannot be reasonably estimated at this time.

8. INTERFUND TRANSFERS

Operating transfers were as follows:

<u>From Fund:</u>	<u>To Fund:</u>	<u>Statutory Authority</u>	<u>Amount</u>
Capital Improvement	General	K.S.A. 12-1258	\$ 750.56
Contingent	General	K.S.A. 12-1225	1,736.39
Greve Memorial	General	K.S.A. 12-1225	227.40
Maxine Koch Diver Estate	General	K.S.A. 12-1225	185.50
Rotary Endowment	General	K.S.A. 12-1225	356.45

9. SUBSEQUENT EVENTS

The Library evaluated events and transactions occurring subsequent year end, and there were no subsequent events requiring recognition in the financial statements. Additionally, there were no nonrecognized subsequent events requiring disclosure.

SUPPLEMENTAL INFORMATION

CHANUTE PUBLIC LIBRARY

Chanute, Kansas

GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Amounts For the Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Taxes and Shared Revenue				
SEK Library Association	\$ 12,695.00	\$ 14,597.00	\$ 17,300.00	\$ (2,703.00)
City of Chanute	339,525.88	432,782.42	362,000.00	70,782.42
State Aid	4,294.00	3,884.00	4,000.00	(116.00)
Use of Money and Property				
Interest Income	2,943.47	606.40	6,000.00	(5,393.60)
Other Revenues				
Fines and Fees	7,426.85	9,001.63	7,000.00	2,001.63
Grants	3,969.85	5,394.86	-	5,394.86
Gifts and Donations	2,927.70	2,655.00	-	2,655.00
Miscellaneous	10,300.89	6,437.86	-	6,437.86
Operating Transfers from:				
Contingent Fund	-	1,736.39	-	1,736.39
Capital Improvement Fund	65,336.32	750.56	-	750.56
Greve Memorial Fund	410.99	227.40	-	227.40
Maxine Koch Diver Estate Fund	185.00	185.50	-	185.50
Rotary Endowment Fund	356.45	356.45	-	356.45
Total Receipts	450,372.40	478,615.47	\$ 396,300.00	\$ 82,315.47
Expenditures				
Culture and Recreation				
Personal Services	234,038.86	238,418.17	\$ 244,500.00	\$ (6,081.83)
Contractual Services	62,383.08	59,956.75	68,300.00	(8,343.25)
Commodities	61,221.57	73,106.54	71,500.00	1,606.54
Capital Outlay	67,721.40	17,217.20	17,000.00	217.20
Operating Transfers to				
Capital Improvement Fund	9,000.00	-	-	-
Total Expenditures	434,364.91	388,698.66	\$ 401,300.00	\$ (6,519.51)
Receipts Over(Under) Expenditures	16,007.49	89,916.81		
Unencumbered Cash, Beginning	237,574.49	84,131.89		
Unencumbered Cash, Ending	<u>\$ 253,581.98</u>	<u>\$ 174,048.70</u>		

CHANUTE PUBLIC LIBRARY

Chanute, Kansas

CONTINGENT FUND

Schedule of Receipts and Expenditures - Actual

Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Amounts For the Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Receipts		
Use of Money and Property		
Interest Income	\$ 71.47	\$ 1,780.93
Total Receipts	71.47	1,780.93
Expenditures		
Operating Transfers to General Fund	-	1,736.39
Total Expenditures	-	1,736.39
Receipts Over(Under) Expenditures	71.47	44.54
Unencumbered Cash, Beginning	169,378.62	169,450.09
Unencumbered Cash, Ending	\$ 169,450.09	\$ 169,494.63

CHANUTE PUBLIC LIBRARY
Chanute, Kansas
CAPITAL IMPROVEMENT FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Amounts For the Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Receipts		
Use of Money and Property		
Interest Income	\$ 1,698.79	\$ 750.56
Operating Transfers from General Fund	9,000.00	-
Total Receipts	10,698.79	750.56
Expenditures		
Operating Transfers to General Fund	65,336.32	750.56
Total Expenditures	65,336.32	750.56
Receipts Over(Under) Expenditures	(54,637.53)	-
Unencumbered Cash, Beginning	121,322.33	66,684.80
Unencumbered Cash, Ending	\$ 66,684.80	\$ 66,684.80

CHANUTE PUBLIC LIBRARY

Chanute, Kansas

GREVE MEMORIAL FUND

Schedule of Receipts and Expenditures - Actual

Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Amounts For the Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Receipts		
Use of Money and Property		
Interest Income	\$ 410.99	\$ 227.40
Total Receipts	<u>410.99</u>	<u>227.40</u>
Expenditures		
Operating Transfers to		
General Fund	<u>410.99</u>	<u>227.40</u>
Total Expenditures	<u>410.99</u>	<u>227.40</u>
Receipts Over(Under) Expenditures	-	-
Unencumbered Cash, Beginning	<u>21,615.84</u>	<u>21,615.84</u>
Unencumbered Cash, Ending	<u><u>\$ 21,615.84</u></u>	<u><u>\$ 21,615.84</u></u>

CHANUTE PUBLIC LIBRARY
Chanute, Kansas
MAXINE KOCH DIVER ESTATE FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Amounts For the Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Receipts		
Use of Money and Property		
Interest Income	\$ 185.00	\$ 185.50
Total Receipts	185.00	185.50
Expenditures		
Operating Transfers to General Fund	185.00	185.50
Total Expenditures	185.00	185.50
Receipts Over(Under) Expenditures	-	-
Unencumbered Cash, Beginning	18,500.00	18,500.00
Unencumbered Cash, Ending	\$ 18,500.00	\$ 18,500.00

CHANUTE PUBLIC LIBRARY
Chanute, Kansas
ROTARY ENDOWMENT FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Amounts For the Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Receipts		
Use of Money and Property		
Interest Income	\$ 356.45	\$ 356.45
Total Receipts	<u>356.45</u>	<u>356.45</u>
Expenditures		
Operating Transfers to General Fund	<u>356.45</u>	<u>356.45</u>
Total Expenditures	<u>356.45</u>	<u>356.45</u>
Receipts Over(Under) Expenditures	-	-
Unencumbered Cash, Beginning	<u>5,000.00</u>	<u>5,000.00</u>
Unencumbered Cash, Ending	<u><u>\$ 5,000.00</u></u>	<u><u>\$ 5,000.00</u></u>



Communication of Material Weaknesses

Board of Trustees
Chanute Public Library
Chanute, Kansas

In planning and performing our audit of the financial statement of Chanute Public Library as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered Chanute Public Library's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Chanute Public Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Chanute Public Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in Chanute Public Library's internal control to be material weaknesses:

Preparation of Financial Statement

Accounting standards states the client must be able to accept responsibility and be able to identify a material misstatement when reviewing the financial statement, including footnotes and supplemental information. This would also include knowing if a required footnote disclosure was missing or not correctly stated. Presently, the Library staff does not have the ability to process and prepare the required financial statement, including footnotes. The potential effects of this material weakness could be unrecognized errors on the financial statement. While we recognize that this condition is not unusual for a Library your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial reporting of the Library and changes in reporting requirements.

Jarred, Gilmore & Phillips, PA

CERTIFIED PUBLIC ACCOUNTANTS

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Segregation of Duties

An internal control structure is, quite simply, the procedures and policies in effect which ensure that the Library's financial activity is properly recorded, processed, summarized, and reported in the financial statements. A weakness in the control structure occurs when one person is responsible for all of the accounting activities such as performing billings, receipting cash, making deposits, reconciling the bank accounts, and having access to all books and records of the Library. Due to small staff size, it is not possible for reviews of daily work to take place, potentially resulting in errors in financial records and reports.

Credit Cards

During our testing of Library's credit cards, we identified some charges on the Visa card, which did not contain adequate supporting documentation. We would like to point out that all disbursements of the Library should be supported by a written claim against the Library. Unsupported disbursements could be cause for unallowable expenses under current Kansas statutes. It was noted the Library was paying some of their credit card charges from a statement, and did not have adequate support for all charges on the statement. While the unsupported charges appeared to be for legitimate Library expenses, the Library is approving and paying bills without all the supporting documentation we feel is necessary.

This communication is intended solely for the information and use of management, Board of Trustees, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

April 29, 2013
Chanute, Kansas