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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Library conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant of such policies:

A. Reporting Entity

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 City Council of the City of Kirkwood is responsible for appointing the governing members of the Library's board, but the City's accountability does not extend beyond this. The City of Kirkwood does not include the Library as a component unit within the City's financial reporting entity.

The Library's financial statements present the Library and its component units, entities for which the Library is considered to be financially accountable. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government.

Discretely Presented Component Units—The following component units are reported within the component unit column in the combined financial statements. They are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Library.

1. The Friends of Kirkwood Public Library was created with the purpose of providing volunteers and funds to assist the Library in serving the community. The Friends' governing body consists of the Executive Board of 4 individuals elected by the membership at large, and 9 committee representatives appointed by the Executive Board. In addition, the Friends budget is subject to approval by the Friends' membership. The Friends' administrative office is located at 140 E. Jefferson, Kirkwood, Missouri.
2. The Kirkwood Public Library Foundation was established to receive and administer gifts and endowments for the benefit of the Library. The Foundation's governing body consists of 7 individuals appointed by the Foundation Board, and also the Library Director and the President of the Library Board of Trustees. In addition, the Foundation's budget is subject to approval by the Foundation's Board. The Foundation's administrative office is located at 140 E. Jefferson, Kirkwood, Missouri.

B. Basis of Presentation

The accompanying basic financial statements of the Kirkwood Public Library have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, *Basic Financial Statements -and Management's Discussion and Analysis-for State and Local Governments*, issued in June 1999.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported. Business-type activities, which rely to a significant extent on fees and charges for support, would be reported separately from the government activities but the Library does not have any business-type activities.

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

D. 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and replacement taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Library reports the following major governmental fund:

The general fund is the Library's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. All revenues are attributable to the providing of library services.

E. Capital Assets

Capital assets, which include furniture and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$100 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The Library's policy is that the costs of books, periodicals and other library materials are not capitalized. Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Type of Asset</u>	<u>Life in Years</u>
Furniture	10
Equipment	5

F. Cash and Cash Equivalents

Cash and cash equivalents consist of checking account deposits, stated at cost at June 30, 2005. The carrying amount of these deposits and the bank balance were \$600 at June 30, 2005.

G. Revenue Recognition

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

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end.

The assessed valuation of the tangible taxable property for the calendar years 2004 and 2003 for purposes of local taxation was:

	December 31,			
	<u>2004</u>		<u>2003</u>	
	<u>Valuation</u>	<u>Rate</u>	<u>Valuation</u>	<u>Rate</u>
Real Estate-Residential	\$ 369,570,300	.219	\$ 362,159,975	.214
Real Estate-Commercial	69,827,101	.234	69,530,293	.205
Personal Property	<u>70,417,025</u>	.235	<u>73,166,900</u>	.237
Total	\$ 509,814,426		\$ 504,857,168	

Investments

The Library maintains an investment account at Pioneer Bank. Investments are carried at cost, which is not materially different from market value. Investments are governed by Section 182.800 R.S.MO, which includes open time deposits, certificates of deposit, bonds of the State of Missouri, U.S, and any wholly owned corporation of the U.S. and other short-term obligations of the United States.

Investments (continued)

Investments are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Amounts exceeding the FDIC limit are insured by bank owned government securities.

The Library's investments are categorized to give an indication of the level of risk assumed by the City at fiscal year-end.

The categories are described as follows:

Category 1 - Insured or registered, or securities held by the Library or its agent in the Library's name.

Category 2 - Uninsured and unregistered, with securities held by the counter party's trust department or agent in the Library's name.

Category 3 - Uninsured and unregistered, with securities held by the counter party, or its trust department or agent, but not in the Library's name.

As of June 30, 2005, Investments categorized by risk, are:

<u>Type of investment</u>	<u>Risk Category</u>	<u>Amount</u>
U.S. government securities	Category 1	\$ 651,040

Vacation and Sick Leave

Under the terms of the Library's employee policies and procedures, the employees are granted vacation based on continuous service as follows:

<u>Years of Service</u>	<u>Weeks of Vacation</u>
Less than 1	5/6 day per month
1 through 4	3 weeks per year
5 through 9	4 weeks per year
10 through 16	5 weeks per year
17 and over	6 weeks per year

Employee vacations vest after six months of continuous service, and may be accrued for one year. Fulltime 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.

Sick leave is accrued at 12 hours for each full month of continuous service to a maximum accrual of 130 days for fulltime employees.

2. EMPLOYEE RETIREMENT PLAN

The Library covers substantially all of their full-time employees, who have met certain service requirements, under the City of Kirkwood Defined Contribution Pension Plan. The Library contributes five percent of each covered employee's annual salary to their individual pension plan account. Employee's are fully vested after five years of service. Contributions made by the Library for employees for the fiscal year ended June 30, 2005 totaled \$20,614. There are no unfunded liabilities of this Plan at the end of the year as all contributions are remitted to the City of Kirkwood as they become due. The assets of the Plan are owned by the employees and are not reflected on the statements of the Library.

The Library also has available a cash or deferred Arrangement (CODA) under Code Section 401(a). Under this Plan, the Library contributes two percent for 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, 2005 totaled \$4,956.

3. CHANGES IN CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2005:

	July 1, 2004	Additions	Disposals	June 30, 2005
Capital assets not being depreciated:				
Art Collection	\$ <u>105,050</u>	\$ _____	\$ _____	\$ <u>105,050</u>
Other Capital Assets:				
Furniture & Equipment	256,672	23,562	-	280,234
Less: accumulated depreciation	<u>(192,702)</u>	<u>(4,782)</u>	_____	<u>(197,484)</u>
Other Capital Assets, net	<u>63,970</u>	<u>18,780</u>	_____	<u>82,750</u>
Total Capital Assets, net	\$ 169,020	\$ 18,780	\$ -	\$ 187,800

Depreciation expense of \$ 29,574 was charged to governmental activities.

4. 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 original members are the Brentwood, Ferguson, Kirkwood, Richmond Heights, Rock Hill, University City Library, Valley Park, Webster Groves and Kirkwood 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.

4. MUNICIPAL LIBRARY CONSORTIUM (continued)

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.

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.

The net value of the Library's share of the Consortium's net assets is \$39,737 as of June 30, 2005. This amount represents the Library's 19.68% share of the net assets, based on a recent transfer of a 16.15% share to Webster Groves Municipal Library for \$ 23,982. Prior to the transfer the Library's percentage of the net assets was 26.76%.

5. RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Library carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

6. COMPONENT UNITS CONDENSED FINANCIAL STATEMENTS

The following presents condensed financial information for the Library's component units:

	Friends of Kirkwood Public Library	Kirkwood Public Library Foundation	Total
Cash	\$ 15,558	\$ 19,591	\$ 35,149
Investments	<u>65,909</u>	<u>222,253</u>	<u>288,162</u>
Total Assets	81,467	241,844	323,311
Unrestricted Net Assets	81,467	19,591	101,058
Restricted Net Assets	<u>-</u>	<u>222,253</u>	<u>222,253</u>
Total Net Assets	81,467	241,844	323,311
Expenses	85,278	1,546	86,824
Revenues	<u>100,425</u>	<u>21,661</u>	<u>122,086</u>
Change In Net Assets	15,147	20,115	35,262
Net Assets, Beginning	<u>66,320</u>	<u>221,729</u>	<u>288,049</u>
Net Assets, Ending	\$ 81,467	\$ 241,729	\$ 323,311