

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Maplewood Public Library (the Library) was incorporated in 1935, 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 Maplewood 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 Maplewood does not include the Library as a component unit within the City's financial reporting entity.

The Library's financial statements include the accounts of all Library operations. The criteria for including organizations as component units within the Library's reporting entity, as set forth in Section 2100 of Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- * The organization is legally separate (can sue and be sued in their own name)
- * The Library holds the corporate powers of the organization
- * The Library appoints a voting majority of the organization's board
- * The Library is able to impose its will on the organization
- * The organization has the potential to impose a financial benefit/burden on the Library
- * There is fiscal dependency by the organization on the Library.

Based on the aforementioned criteria, the Library has no component units.

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:

B. Basis of Presentation

The accompanying basic financial statements of the Maplewood 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.

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

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 consists of checking and savings account deposits. These deposits are stated at cost at June 30, 2005. The carrying amount of these deposits was \$260,447 and the bank balance was \$262,231 at June 30, 2005. The entire bank balance is collateralized, by \$100,000 of Federal Depository Insurance and the remaining balance by securities valued at market value. The securities consist of \$300,000 pledged by Citizens National Bank.

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	\$ 49,215,300	.219	\$ 50,635,024	.219
Real Estate-Commercial	27,737,083	.226	28,607,269	.226
Personal Property	<u>22,562,184</u>	.242	<u>25,691,364</u>	.242
Total	\$ 99,514,567		\$104,933,657	

2. EMPLOYEE RETIREMENT PLAN

The Library contributes to Missouri Local Governmental Employees Retirement System (LAGERS), an agent multiple-employer public retirement system (PERS) that acts as a common investment and administrative agent for local government entities in Missouri, through the City of Maplewood. LAGERS is a defined benefit pension plan which provides retirement, disability and death benefits to plan members and beneficiaries. LAGERS was created and is governed by State Statute. As such, it is LAGERS' responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under Internal Revenue Code Section 401(a), and is tax-exempt. All full time employees of the Library are eligible to participate in LAGERS.

The contribution to LAGERS for the year ended June 30, 2005 of \$5,488 was made in accordance with actuarially determined requirements computed through an actuarial valuation performed annually to cover normal cost and amortization of the unfunded actuarial accrued liability. The Library contributed .7% of current covered payroll and employees contributed 4.0%.

Information regarding the pension benefit obligation and net assets available for benefits associated to the Library were not available.

3. CHANGES IN CAPITAL ASSETS

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

	July 1, <u>2004</u>	<u>Additions</u>	<u>Disposals</u>	June 30, <u>2005</u>
Equipment	\$ 45,527	\$ 3,741	\$ -	\$ 49,268
Less: accumulated depreciation	(<u>32,879</u>)	(4,418)	-	(<u>37,297</u>)
Capital Assets, Net	\$ 12,648			\$ 11,971

Depreciation expense of \$ 4,418 was charged to governmental activities.

4. COMMITMENTS

The Library rents its facility under a one year operating lease from the Library of Maplewood for \$1. The lease continuously renews automatically for one year unless either party gives six months cancellation notice prior to the expiration date of the lease.

5. 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 Maplewood Libraries.

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

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

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 \$ 9,430 as of June 30, 2005. This amount represents the Library's 4.66% share of the net assets.

6. 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.