

SCENIC REGIONAL LIBRARY

UNION, MISSOURI

AUDIT REPORT

For the Year Ended December 31, 2010

***UNNERSTALL***  
***UNNERSTALL***  
and  
Certified Public Accountants, P.C.

SCENIC REGIONAL LIBRARY  
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Scenic Regional Library  
Union, Missouri

We have audited the financial statements of Scenic Regional Library as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion 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. 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.

As discussed in Note 1, Scenic Regional Library prepares its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - cash basis of Scenic Regional Library as of December 31, 2010, and the respective changes in financial position - cash basis, thereof for the year ended in conformity with the basis of accounting described in Note 1.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Unnerstall and Unnerstall*

Unnerstall and Unnerstall  
Certified Public Accountants, P.C.

May 17, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

# SCENIC REGIONAL LIBRARY

FRANKLIN • GASCONADE • WARREN COUNTIES

Administrative Office:  
Phone: 636-583-3224  
FAX: 636-583-6519

308 Hawthorne Drive  
Union, Missouri 63084

## Scenic Regional Library Management's Discussion Letter

Since it was established in 1959, Scenic Regional Library has had an annual audit performed on its financial activities. Starting with the library system's 2004 Audit new reporting standards have been implemented to comply with the audit procedures of the Governmental Accounting Standards Board (GASB). While much of the information is the same as in prior years, GASB reporting requirements are reflected in the Statement of Cash Balances – Cash Basis – All Governmental Fund Types and Reporting, and also the Statement of Revenues Collected, Expenditures Paid and Change in Fund Balances – Cash Basis – All Governmental Fund Types. This discussion provides an overview of the Library's financial activities for the year ending December 31, 2010.

### FINANCIAL HIGHLIGHTS

The library system's total fund equity decreased by \$308,338. The primary factor was the adverse settlement of a lengthy lawsuit over the Franklin County Library District tax levy.

The library system's revenue decreased \$414,872 (17.9%). The two major factors were the court ordered reduction of the Franklin County tax levy resulting in a decrease of \$251,848 (10.8 %) and the expiration of the Warren County Building tax which accounted for \$173,509 (7.4%). Existing funds from prior years were used to compensate for the shortfall.

The Expense section of the budget was distorted in Operations by the court ordered payment of legal fees and legal notices in the Franklin County tax levy lawsuit amounting to \$261,385.

The statements on the following pages reflect the status of the library system resulting from activity in the year 2010. To briefly summarize that activity, the library system as a whole circulated 524,607 items. Searches on library subscription databases totaled 109,218 with an additional 751 online tutoring sessions. 20,383 books, audio CDs, music CDs, DVDs and magazines were added to the library's collection which now totals 296,619 items. There were approximately 327,368 visits to all of the library system's facilities in 2010. The Internet was used for 63,237 sessions. Finally, 17,000 people participated in programs sponsored by the library and an additional 3,901 children attended library story times.

### **COMPARISON OF FUND EQUITY**

The following compares cash balances on hand at the end of 2010 with the previous year:

|                                 | <b><u>2010</u></b> | <b><u>2009</u></b> |
|---------------------------------|--------------------|--------------------|
| ASSETS:                         |                    |                    |
| Cash On Hand                    | \$845              | \$398              |
| Cash – Checking                 | \$79,954           | \$347,368          |
| Cash and Investments – Reserves | <u>\$2,597,702</u> | <u>\$2,638,533</u> |
| Total Assets                    | <u>\$2,678,501</u> | <u>\$2,986,839</u> |
| FUND EQUITY:                    |                    |                    |
| Restricted for Building         | \$194,787          | \$271,835          |
| Designated Fund Balance         | -                  | \$1,438,126        |
| Unrestricted Fund Balance       | <u>\$2,483,714</u> | <u>\$1,276,878</u> |
| Total Fund Equity               | <u>\$2,678,501</u> | <u>\$2,986,839</u> |

### **COMPARISON OF REVENUES AND EXPENDITURES**

|  | <b><u>2010</u></b> | <b><u>2009</u></b> |
|--|--------------------|--------------------|
| REVENUES                               |                    |                    |
| Property Taxes                         | \$1,683,037        | \$1,902,521        |
| Building Tax (Warren County)           | -                  | 173,063            |
| Building Fund Interest (Warren County) | 1,224              | 2,028              |
| Surtax                                 | 33,638             | 32,184             |
| Intangible Taxes                       | 888                | 958                |
| State Aid/Equalization                 | 72,331             | 75,406             |
| Athletes/Entertainers Tax              | 16,840             | 22,444             |
| Investment Income                      | 23,600             | 30,262             |
| Miscellaneous/Grants                   | <u>68,590</u>      | <u>76,109</u>      |
| Total Revenues                         | <u>\$1,900,148</u> | <u>\$2,315,056</u> |
| EXPENSES                               |                    |                    |
| Salaries & Benefits                    | \$1,074,148        | \$1,073,079        |
| Library Materials                      | 416,361            | 452,204            |
| Library Operations                     | 570,910            | 318,332            |
| Technology                             | 60,893             | 57,101             |
| Capital Expenses                       | <u>7,901</u>       | <u>38,903</u>      |
|  | <u>\$2,130,214</u> | <u>\$1,939,619</u> |
| Warren County Building Fund            | <u>78,272</u>      | <u>71,704</u>      |
| Total Expenses                         | <u>\$2,208,486</u> | <u>\$2,011,323</u> |

Operating tax receipts in 2010 totaled \$1,717,563 which was \$229,643 under 2009 receipts. These tax receipts include income on new construction/growth as well as delinquent taxes from previous years, surtax and intangible taxes.

Receipts from State Aid to Public Libraries decreased in 2010 with the Franklin, Gasconade and Warren County Library Districts receiving a total of \$60,961. State Aid to Public Libraries is a per capita amount appropriated by the Missouri Legislature and the FY11 amount dropped from 55 cents to 50 cents. Gasconade County Equalization funds decreased to \$11,370.

Interest on general funds and reserves decreased by \$6,662 from 2010 due to lower interest rates. However, interest received on reserve funds remains with the reserve and is not available for operating expenses.

Income from other sources such as grants, book sales, non-resident fees, fines, damages and copying fees decreased from \$76,109 to \$68,626.

In 2010 Scenic Regional Library received \$16,840 in Out-of-State Athletes & Entertainers Tax.

Total revenues (not including receipts from the Warren County Library District Building Tax or Funds Forward) were \$1,898,959, a decrease of \$241,005 or 11.3% from 2009 total revenues.

Total expenditures in 2010 were \$2,208,487, an increase of \$197,164 or 9.8% over 2009 expenditures.

In closing, it should be noted that the following events in 2010 deserve comment.

In February the comprehensive cooperative service agreement between Scenic Regional Library and the Washington Municipal Library District became fully operational with a combined catalog. The Washington Public Library had obtained a grant from the Missouri State Library to merge its holdings into the Scenic Regional Library Catalog. Scenic Regional Library provided the necessary 25% local match of \$12,795 required by the grant. This joint venture has resulted in enhanced service by allowing all citizens of the area convenient access to materials from a collection that totals over 300,000 items.

The Franklin County Library District entered in to negotiations to purchase a different facility for its St. Clair Library. The agreement was signed in January of 2011 and remodeling the newly acquired facility will provide improved service the citizens of the St. Clair area.

A new website for the library system was under construction during 2010 and was launched in April of 2011. With the launch of the new website, the library began offering a new ebook service to its patrons.

Finally, on a more pessimistic note, the effects of the Missouri Eastern District Court of Appeals reversal of the 2007 ruling of the 20<sup>th</sup> Circuit Court regarding the proper level of the Franklin County Library District tax levy are increasingly evident. This ruling and subsequent actions at the Circuit Court level resulted in the lowering of the Franklin County Library District's tax levy to 7.58 cents, its lowest level in 50 years. This levy placed the library district at a rank of 129 out of 132 libraries in Missouri. During a three year payback period, the rank will decrease to 131<sup>st</sup>, one place from the bottom and the effective tax rate will be 5.73 cents. It has been devastating that the rulings and certifications of the Missouri State Auditor on all of the district's tax levies from 2000 to 2008 were deemed to be incorrect.

Kenneth J. Rohrbach  
Library Director  
Scenic Regional Library

FINANCIAL STATEMENTS

SCENIC REGIONAL LIBRARY  
STATEMENT OF CASH BALANCES AND NET ASSETS - CASH BASIS  
DECEMBER 31, 2010

ASSETS

|                                 |                     |
|---------------------------------|---------------------|
| Cash On Hand                    | \$ 845              |
| Cash - Checking                 | 79,954              |
| Cash and Investments - Reserves | <u>2,597,702</u>    |
| Total Assets                    | <u>\$ 2,678,501</u> |

NET ASSETS

|                         |                     |
|-------------------------|---------------------|
| Restricted for Building | \$ 194,787          |
| Unrestricted            | <u>2,483,714</u>    |
| Total Fund Equity       | <u>\$ 2,678,501</u> |

The accompanying notes are an integral part of these financial statements.

SCENIC REGIONAL LIBRARY  
STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2010

| <u>Governmental Activity</u>            | <u>Expenses</u>       | <u>Charges for<br/>Services</u> | <u>Operating<br/>Grants</u> | <u>Capital<br/>Grants</u> | <u>Net<br/>Change</u>      |
|---|-----------------------|---------------------------------|-----------------------------|---------------------------|----------------------------|
| Salaries and Benefits                   | \$ (1,074,148)        | \$ -                            | \$ -                        | \$ -                      | \$ (1,074,148)             |
| Library Materials                       | (416,361)             | 16,948                          | -                           | -                         | (399,413)                  |
| Occupancy                               | (140,913)             | -                               | -                           | -                         | (140,913)                  |
| General and Administrative              | (460,749)             | -                               | -                           | -                         | (460,749)                  |
| Capital Outlays                         | (116,316)             | -                               | -                           | 22,965                    | (93,351)                   |
|   | <u>\$ (2,208,487)</u> | <u>\$ 16,948</u>                | <u>\$ -</u>                 | <u>\$ 22,965</u>          | <u>\$ (2,168,574)</u>      |
| General Revenues:                       |                       |                                 |                             |                           |                            |
| Property Taxes                          |                       |                                 |                             |                           | \$ 1,734,408               |
| State Aid                               |                       |                                 |                             |                           | 72,331                     |
| Earnings on Investments                 |                       |                                 |                             |                           | 24,818                     |
| Other                                   |                       |                                 |                             |                           | 28,679                     |
| Total General Revenues                  |                       |                                 |                             |                           | <u>\$ 1,860,236</u>        |
| Special Items:                          |                       |                                 |                             |                           |                            |
| Proceeds from Bond Issues, Net of Costs |                       |                                 |                             |                           | \$ -                       |
| Increase (Decrease) in Net Assets       |                       |                                 |                             |                           | \$ (308,338)               |
| Net Assets - Beginning                  |                       |                                 |                             |                           | <u>2,986,839</u>           |
| Net Assets - Ending                     |                       |                                 |                             |                           | <u><u>\$ 2,678,501</u></u> |

The accompanying notes are an integral part of these financial statements.

SCENIC REGIONAL LIBRARY  
STATEMENT OF CASH AND FUND BALANCES - CASH BASIS  
ALL GOVERNMENTAL FUND TYPES  
DECEMBER 31, 2010

|  | <u>General</u>      | <u>Building</u>   | <u>Totals</u>       |
|--|---------------------|-------------------|---------------------|
| <u>ASSETS</u>                          |                     |                   |                     |
| Petty Cash                             | \$ 845              | \$ -              | \$ 845              |
| Cash and Investments:                  |                     |                   |                     |
| Regular Checking                       | 35,044              | 194,787           | 229,831             |
| Franklin County Library Fund           | 519,729             | -                 | 519,729             |
| Gasconade County Library Fund          | 140,467             | -                 | 140,467             |
| Warren County Library Fund             | 307,195             | -                 | 307,195             |
| Gift and Endowment Fund                | 31,298              | -                 | 31,298              |
| Reserve Funds                          | <u>1,449,136</u>    | <u>-</u>          | <u>1,449,136</u>    |
| Total Assets                           | <u>\$ 2,483,714</u> | <u>\$ 194,787</u> | <u>\$ 2,678,501</u> |
| <u>LIABILITIES AND FUND EQUITY</u>     |                     |                   |                     |
| <u>LIABILITIES</u>                     |                     |                   |                     |
| None                                   | <u>\$ -</u>         | <u>\$ -</u>       | <u>\$ -</u>         |
| <u>FUND BALANCES</u>                   |                     |                   |                     |
| Restricted for Building                | \$ -                | \$ 194,787        | \$ 194,787          |
| Committed to:                          |                     |                   |                     |
| Automotive Equipment                   | 67,928              | -                 | 67,928              |
| Automation Improvement                 | 135,085             | -                 | 135,085             |
| Library Development                    | 1,246,123           | -                 | 1,246,123           |
| Endowment                              | 30,439              | -                 | 30,439              |
| Unassigned                             | <u>1,004,139</u>    | <u>-</u>          | <u>1,004,139</u>    |
| Total Fund Balances                    | <u>\$ 2,483,714</u> | <u>\$ 194,787</u> | <u>\$ 2,678,501</u> |
| Total Liabilities and<br>Fund Balances | <u>\$ 2,483,714</u> | <u>\$ 194,787</u> | <u>\$ 2,678,501</u> |

The accompanying notes are an integral part of these financial statements

SCENIC REGIONAL LIBRARY  
STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID AND  
CHANGES IN FUND BALANCES - CASH BASIS - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010

|                                       | <u>General</u>      | <u>Building</u>   | <u>Total</u>        |
|---------------------------------------|---------------------|-------------------|---------------------|
| <u>REVENUES COLLECTED</u>             |                     |                   |                     |
| Taxes                                 | \$ 1,734,408        | \$ -              | \$ 1,734,408        |
| State Aid                             | 72,331              | -                 | 72,331              |
| Earnings on Investments               | 23,595              | 1,224             | 24,819              |
| Grants and Donations                  | 22,965              | -                 | 22,965              |
| Book Sales                            | 12,948              | -                 | 12,948              |
| Non-Resident Fees                     | 4,000               | -                 | 4,000               |
| Miscellaneous Revenue                 | 28,677              | -                 | 28,677              |
| Total Revenues Collected              | <u>\$ 1,898,924</u> | <u>\$ 1,224</u>   | <u>\$ 1,900,148</u> |
| <u>EXPENDITURES PAID</u>              |                     |                   |                     |
| Wages                                 | \$ 811,255          | \$ -              | \$ 811,255          |
| Books                                 | 201,630             | -                 | 201,630             |
| Reference and Bibliography            | 91,474              | -                 | 91,474              |
| Periodicals                           | 15,793              | -                 | 15,793              |
| Other Materials                       | 107,463             | -                 | 107,463             |
| Utilities                             | 61,987              | -                 | 61,987              |
| Taxes                                 | 62,432              | -                 | 62,432              |
| Rent                                  | 57,758              | -                 | 57,758              |
| Insurance                             | 25,893              | -                 | 25,893              |
| Repairs and Maintenance               | 39,745              | -                 | 39,745              |
| Supplies                              | 40,067              | -                 | 40,067              |
| Postage                               | 16,607              | -                 | 16,607              |
| Employee Health Insurance             | 138,737             | -                 | 138,737             |
| Employee Retirement                   | 61,724              | -                 | 61,724              |
| Automotive Expense                    | 12,677              | -                 | 12,677              |
| Professional Fees                     | 23,991              | -                 | 23,991              |
| Travel and Dues                       | 13,649              | -                 | 13,649              |
| Automation                            | 30,751              | -                 | 30,751              |
| Lawsuit Settlement Charges            | 261,744             | -                 | 261,744             |
| Miscellaneous                         | 221                 | -                 | 221                 |
| Capital Outlays                       | 38,044              | 78,272            | 116,316             |
| Programs                              | 16,572              | -                 | 16,572              |
| Total Expenditures Paid               | <u>\$ 2,130,214</u> | <u>\$ 78,272</u>  | <u>\$ 2,208,486</u> |
| <u>EXCESS OF REVENUES COLLECTED</u>   |                     |                   |                     |
| <u>OVER (UNDER) EXPENDITURES PAID</u> | \$ (231,290)        | \$ (77,048)       | \$ (308,338)        |
| <u>FUND BALANCE - January 1</u>       | <u>2,715,004</u>    | <u>271,835</u>    | <u>2,986,839</u>    |
| <u>FUND BALANCE - December 31</u>     | <u>\$ 2,483,714</u> | <u>\$ 194,787</u> | <u>\$ 2,678,501</u> |

The accompanying notes are an integral part of these financial statements.

SCENIC REGIONAL LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Scenic Regional Library (the "Library") was formed on May 20, 1959 by a cooperative agreement between the Franklin, Gasconade, and Warren County Library Districts. The Library operates facilities in the cities of Warrenton, Hermann, Owensville, Pacific, New Haven, St. Clair and Union, Missouri. The Union facility also serves as headquarters for the Library. The financial statements of the Library have been prepared on the cash basis, which is a comprehensive basis of accounting other than 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 more significant of the Library's accounting policies are described below.

**Reporting Entity**

The Library's reporting entity includes the governing Boards of the three county Districts and all related organizations, including all branch facilities, for which the Library exercises oversight responsibility. The Library complies with the provisions of GASB Statement 14, "The Financial Reporting Entity," as amended by GASB Statement 39, "Determining Whether Certain Organizations are Component Units," to determine whether outside agencies with activities which benefit the citizens of the Library should be included within its financial reporting entity. The criteria includes, but is not limited to, whether the Library exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service and special financing relationships.

The Library has determined that no outside agency meets the above criteria and, therefore, no such agency has been included as a component unit in the Library's financial statements. In addition, the Library is not aware of any entity which would exercise such oversight over it, which would result in the Library being considered a component unit of another entity.

**Estimates**

The preparation of financial statements in conformity with the cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

## **Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. The Library's policy is to prepare its financial statements on the cash basis of accounting. Consequently, revenues are recognized when received rather than when earned, and expenditures are recognized when cash is disbursed rather than when the obligation is incurred. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

If the Library utilized the basis of accounting recognized as generally accepted, the fund financial statements for the governmental funds would use the modified accrual basis of accounting, under which revenues would be recognized when measurable and available and expenditures would be recorded when the fund liability is incurred. Fixed assets would be capitalized and depreciated and long-term debt would be reflected as liabilities.

## **Basis of Presentation**

### Government-Wide Financial Statements

The Statement of Activities display information about the Library as a whole and include all funds of the reporting entity.

### Fund Financial Statements

Fund financial statements of the Library are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund or account group are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund balances arising from cash transactions, revenues collected and expenditures paid. The following funds are used by the Library:

### **Governmental Funds**

General Fund - The Library reports its financial position and the results of its operations in the operating fund. The regional Board has designated a portion of the Library's cash to be reserved for automotive, automation and insurance expenditures, and rather than establishing separate funds for these designations, has properly elected to include the reserves as Designated Fund Balance in the accompanying financial statements.

Capital Projects (Building) Fund: To account for the proceeds of long-term debt, taxes and other revenues designated for acquisition or construction of major capital assets.

## **Compensated Absences**

Compensated absences are considered as expenditures in the year paid. Unused amounts for holiday pay and vacation which are vested in the employee are payable only upon retirement. Any unused sick days at the time of retirement are lost.

## **Post-Employment Health Care Benefits**

The Library provides post-employment benefit options to eligible retirees, terminated employees, and their dependents. The benefits are provided in accordance with Library policies and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). Employees pay premiums directly to the provider. There were no participants in the program as of December 31, 2010.

## **2. DEPOSITS AND INVESTMENTS**

### **Deposits**

Custodial Credit Risk for deposits is the risk that in the event of a bank failure, the Library's deposits may not be returned or the Library will not be able to recover collateral securities in the possession of an outside party. The Library's bank deposits are required by state law to be secured by the deposit of certain securities with the Library or trustee institution. The value of the securities must amount to the total of the Library's cash not insured by the Federal Deposit Insurance Corporation.

As of December 31, 2010, the Library's bank balances were entirely secured or collateralized with securities held by the Library or by its agent in the Library's name.

### **Investments**

The Library may purchase any investments allowed by the State Treasurer. These include (1) obligations of the United States government or any agency or instrumentality thereof maturing and becoming payable not more than three years from the date of purchase, or (2) repurchase agreements maturing and becoming payable within ninety days secured by U.S. Treasury obligations or obligations of U.S. government agencies or instrumentalities of any maturity, as provided by law. As of December 31, 2010 the Library had no investments in U.S. Treasury obligations or other governmental agencies.

Investments consist entirely of certificates of deposit held at various local banks. These certificates of deposit all have maturity dates of more than three months and are stated at cost when purchased by the Organization. In addition, all certificates of deposit are insured by the FDIC.

## **3. REMAINDER INTEREST**

The Warren County Library District is the remainder beneficiary of a Trust established by the estate of Augusta Louise Smith. The trust is subject to a life remainder interest of a relative of Augusta Louise Smith. The value of the trust as of December 31, 2010 which totaled \$243,832, is not included in the accompanying financial statements.

#### 4. PROPERTY TAXES

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

Information relative to property taxes for calendar year 2009 which were received by the Library in 2010 was as follows:

|                  | <u>Assessed<br/>Valuation</u> | <u>Tax Levy<br/>(per \$100)</u> |
|------------------|-------------------------------|---------------------------------|
| Franklin County  | \$ 1,583,227,769              | \$ .0759                        |
| Warren County    | 521,117,840                   | .0672                           |
| Gasconade County | <u>209,161,024</u>            | .0957                           |
| Totals           | <u>\$ 2,313,506,633</u>       |                                 |

The receipts of current and delinquent property taxes during the year ended December 31, 2010, aggregated approximately 100.82% of the current assessment computed on the basis of the levy as shown above.

#### 5. FIXED ASSETS

Activity for general fixed assets is summarized below:

|                           | <u>December 31,<br/>2009</u> | <u>Additions</u> | <u>Disposals</u> | <u>December 31,<br/>2010</u> |
|---------------------------|------------------------------|------------------|------------------|------------------------------|
| Land                      | \$ 447,741                   | \$ -             | \$ -             | \$ 447,741                   |
| Buildings                 | 2,099,576                    | 78,272           | -                | 2,177,848                    |
| Automotive<br>Equipment   | 169,799                      | -                | -                | 169,799                      |
| Automation<br>Equipment   | 187,559                      | 31,304           | -                | 218,863                      |
| Furniture and<br>Fixtures | <u>477,310</u>               | <u>6,739</u>     | <u>25</u>        | <u>484,024</u>               |
| Totals                    | <u>\$ 3,381,985</u>          | <u>\$116,315</u> | <u>\$ 25</u>     | <u>\$ 3,498,275</u>          |

Throughout the year, management reviewed the Library's fixed asset inventory and removed items from the inventory that were no longer in service. The accompanying financial statements are prepared on the cash basis of accounting. Therefore, fixed assets are not included.

#### 6. LEASES

The Library leases its facilities under various lease terms. Expirations of current leases and future rental payments under these leases to expiration are as follows:

|      | <u>Hermann</u> | <u>Pacific</u> | <u>Owensville</u> |
|------|----------------|----------------|-------------------|
| 2011 | \$ 22,728      | \$ 28,800      | \$ 6,000          |
| 2012 | 13,258         | 28,800         | 2,500             |
| 2013 | -              | 26,400         | -                 |

Facilities in St. Clair, New Haven, Warrenton, and Union are owned by the library district in which the facility is located.

## 7. NET ASSETS AND FUND EQUITY

Beginning with fiscal year 2010, the Library implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

*Nonspendable fund balance* - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

*Restricted fund balance* - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

*Committed fund balance* - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

*Assigned fund balance* - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;

*Unassigned fund balance* - amounts that are available for any purpose; positive amounts are reported only in the general fund.

The Library Board of Directors establishes fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

The Library has the policy of including amounts in their budget, when possible, for the future replacement of automotive equipment, automation and insurance expenses, and improvements. These balance commitments consisted of the following as of December 31, 2010:

|                                   |                     |
|-----------------------------------|---------------------|
| Automotive Equipment              | \$ 67,928           |
| Automation                        | 135,085             |
| Library Development & Improvement | 1,246,123           |
| Endowment                         | 30,439              |
| Total Committed Balances          | <u>\$ 1,479,575</u> |

These amounts are shown as Committed Fund Balances on the accompanying financial statements.

**8. RESTRICTED FOR BUILDING**

During the year ended December 31, 2000, the Warren County Library District issued \$995,000 of certificates of participation for the purpose of constructing a library in Warren County. The certificates will be paid by a 4 cent building tax levy assessed by Warren County. The actual assessment was 3.74 cents through November, 2009, at which time the building tax levy expired. The unspent portion of these certificates and taxes received, which amounted to \$194,787 as of December 31, 2010, is included as Restricted for Building on the accompanying financial statements.

**9. 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 insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**10. COMMITMENTS**

The Library has an agreement under which the St. Charles City/County Library provides software updates and support to its automated, online book access system. The support agreement amounted to \$9,195 for the year ended December 31, 2010. The agreement is in effect until cancelled by either party.

The Library has an agreement under which the University of Missouri System provides internet connectivity, technical support, and training to the Library. The agreement amounted to \$15,016 for the year ended December 31, 2010. The agreement is in effect until cancelled by either party.

The Library also entered a reciprocal lending agreement with the Washington Municipal Library and the Sullivan Municipal Library District, under which the Library will pay a fee for materials borrowed by Library patrons that are in excess of the materials loaned to Washington and Sullivan patrons. The amounts paid under these agreements for the year ended December 31, 2010, to Washington and Sullivan were \$27,418 and \$2,747, respectively.

The Library also has other agreements in place for automation support and reciprocal lending, but the totals amounts paid during the year ended December 31, 2010 were not material to the financial statements taken as a whole.

## 11. COMPENSATED ABSENCES

The Library accrues hours for the compensated absences of employees. No liability for these accruals has been reported in the financial statements. The details of these accrued compensated absences follow:

Vacation days accrue to exempt employees at 20 days per year and to non-exempt employees at between 10 and 15 days per year depending on length of service. Unused accrued vacation can be carried over for one year.

Sick leave accrues at one day per month and can accumulate up to sixty days. Three floating holidays are accrued per year and unused days can be carried over for one year.

As of December 31, 2010, the Library's accrued compensated absences were as follows:

|                   | <u>Hours</u> | <u>Amount</u>     |
|-------------------|--------------|-------------------|
| Sick Leave        | 5,977        | \$ 109,032        |
| Vacation          | 1,733        | 34,667            |
| Floating Holidays | 843          | 16,790            |
| Totals            | <u>8,553</u> | <u>\$ 160,489</u> |

The accompanying financial statements are prepared on the cash basis of accounting. Therefore, the liability for compensated absences is not included.

## 12. EMPLOYEE RETIREMENT PLAN

The Library participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. 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 statute, section RSMo. 70.600-70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401a and it is tax exempt. The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

The Library's full-time employees contribute 4% of their gross pay to the pension plan. The Library is required to contribute at an actuarially determined rate; the current rate is 9.3% (general) of annual covered payroll. The contribution requirements of plan members are determined by the Library's Board of Trustees. The contribution provisions of the Library are established by state statute.

### Three-Year Trend Information

| <u>Fiscal<br/>Year<br/>Ending</u> | <u>Annual Pension Cost<br/>(APC)</u> | <u>Percentage of APC<br/>Contributed</u> | <u>Net<br/>Pension<br/>Obligation</u> |
|-----------------------------------|--------------------------------------|--|---------------------------------------|
| 06/30/2008                        | \$ 56,203                            | 100%                                     | \$ 0                                  |
| 06/30/2009                        | 53,246                               | 100%                                     | 0                                     |
| 06/30/2010                        | 79,399                               | 73%                                      | 21,438                                |

### Schedule of Funding Progress

| <u>Actuarial<br/>Valuation<br/>Date</u> | <u>(a)<br/>Actuarial<br/>Value<br/>of Assets</u> | <u>(b)<br/>Entry Age<br/>Actuarial<br/>Accrued<br/>Liability</u> | <u>(b-a)<br/>Unfunded<br/>(Excess)<br/>Accrued<br/>Liability<br/>(UAL)</u> | <u>(a/b)<br/>Funded<br/>Ratio</u> | <u>(c)<br/>Annual<br/>Covered<br/>Payroll</u> | <u>[(b-a)/c]<br/>UAL as a<br/>Percentage<br/>of Covered<br/>Payroll</u> |
|---|--|--|--|-----------------------------------|---|---|
| 2/28/2008                               | \$ 1,941,654                                     | \$ 2,264,264   | \$ 322,610   | 86%                               | \$ 525,348                                    | 61%   |
| 2/28/2009                               | 1,023,740  | 1,788,266  | 764,526  | 57%                               | 603,915                                       | 127%  |
| 2/28/2010                               | 1,194,303  | 1,990,388  | 796,085  | 60%                               | 654,451                                       | 122%  |

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2006 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations please contact the LAGERS office in Jefferson City.

### **13. CONTINGENCIES**

The Franklin County Library District was involved in a lawsuit that alleged that the District, along with two other Franklin County taxing districts, violated the Hancock Amendment, a Missouri law which limits the amount of revenue that a political subdivision receives. In setting the levy in question, the Franklin County Library District Board used calculations prepared by the Office of the Missouri State Auditor. After the levy was approved by the Franklin County Library Board, the levy rate was certified by the Office of the Missouri State Auditor as being in compliance with the Hancock Amendment.

Plaintiff filed lawsuits over the Franklin County Library District's 2003, 2004, 2005, 2006, 2007, and 2008 tax levy claiming that the District over-levied and over-collected property taxes in the amount of \$300,000 for each year. The District's position is that it followed the procedures outlined by the State Auditor's office in establishing the 2003, 2004, 2005, 2006, 2007, and 2008 tax levies.

On August 30, 2007 a ruling was made in the 20th Circuit Court in Union, Missouri against the Plaintiff and in favor of the Franklin County Library District regarding the lawsuits related to the 2003, 2004, 2005 and 2006 tax levies. Subsequent to the ruling made by the 20th Circuit Court, the Missouri Court of Appeals for the Eastern District reversed the trial court's decision and is finding against the Franklin County Library District. The Library District has filed for Rehearing or Transfer to the Missouri Supreme Court.

The Library District's request for transfer to the Missouri Supreme Court was denied in September of 2009. Subsequent to this, Judge Cynthia Eckelkamp of the Franklin County Circuit Court issued an order that the 2009 property tax rate from the Library District should be set at \$0.0758, The Library Board adopted this levy on September 29, 2009, down from the \$0.0911 previously adopted on August 18, 2009, resulting in a loss of approximately \$242,233 in revenue.

On December 18, 2009 Judge Cynthia Eckelkamp signed two orders regarding the lawsuits. The Final Order and Judgment regarding the 2003-2006 lawsuits stated that \$667,935 had been over collected in library taxes. After attorneys' fees and costs \$517,461.48 shall be refunded as a tax credit of \$172,487.16 in 2010, 2011, and 2012. The Final Order and Judgment regarding the 2007 and 2008 tax levies stated that \$468,005 had been over collected. After attorneys' fees and costs, \$374,404 shall be refunded as a tax credit of \$124,801.33 in 2010, 2011, and 2012. The Court also set forth mechanisms to notify the public of this class action finding and the Final Order and Judgment approving the class settlement agreement was issued on February 25, 2010.

Related to these lawsuits, it was ordered that the Library pay the plaintiff's attorney's fees and costs. In an order dated December 31, 2009, Judge Cynthia Eckelkamp ordered the Library to award the plaintiff's attorneys', fees equal to twenty percent (20%) of the tax refunds, plus actual costs and expenses incurred related to the lawsuits, totaling \$261,744. This amount is shown on the accompanying financial statements as Lawsuit Settlement Charges.

REQUIRED SUPPLEMENTAL INFORMATION

SCENIC REGIONAL LIBRARY  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010

|  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>       | <u>Variance<br/>with Final<br/>Budget</u> |
|--|----------------------------|-------------------------|---------------------|---|
| <u>REVENUES COLLECTED</u>  |                            |                         |                     |   |
| Taxes  | \$ 1,828,649               | \$ 1,548,201            | \$ 1,734,408        | \$ 186,207                                |
| State Aid  | 63,864                     | 75,234                  | 72,331              | (2,903)                                   |
| Earnings on Investments  | 33,000                     | 33,000                  | 23,595              | (9,405)                                   |
| Donations and Grants   | 25,286                     | 25,286                  | 22,965              | (2,321)                                   |
| Other  | 45,000                     | 45,000                  | 45,625              | 625                                       |
| Total Revenues Collected   | <u>\$ 1,995,799</u>        | <u>\$ 1,726,721</u>     | <u>\$ 1,898,924</u> | <u>\$ 172,203</u>                         |
| <u>EXPENDITURES PAID</u>   |                            |                         |                     |   |
| Wages  | \$ 816,938                 | \$ 831,938              | \$ 811,255          | \$ 20,683                                 |
| Books  | 245,829                    | 245,904                 | 201,630             | 44,274                                    |
| Reference and Bibliography   | 100,000                    | 103,000                 | 91,474              | 11,526                                    |
| Periodicals  | 16,500                     | 16,944                  | 15,793              | 1,151                                     |
| Other Materials  | 127,000                    | 127,000                 | 107,463             | 19,537                                    |
| Utilities  | 64,000                     | 66,000                  | 61,987              | 4,013                                     |
| Taxes  | 65,846                     | 65,846                  | 62,432              | 3,414                                     |
| Rent   | 57,758                     | 57,758                  | 57,758              | -   |
| Insurance  | 26,000                     | 27,500                  | 25,893              | 1,607                                     |
| Repairs and Maintenance  | 54,000                     | 54,000                  | 39,745              | 14,255                                    |
| Supplies   | 44,000                     | 46,000                  | 40,067              | 5,933                                     |
| Postage  | 16,500                     | 18,000                  | 16,607              | 1,393                                     |
| Employee Health Insurance  | 135,998                    | 139,658                 | 138,737             | 921                                       |
| Employee Retirement  | 60,210                     | 60,210                  | 61,724              | (1,514)                                   |
| Automotive Expense   | 15,500                     | 15,500                  | 12,677              | 2,823                                     |
| Professional Fees  | 28,000                     | 29,000                  | 23,991              | 5,009                                     |
| Travel and Dues  | 15,000                     | 15,000                  | 13,649              | 1,351                                     |
| Automation   | 45,000                     | 48,000                  | 30,751              | 17,249                                    |
| Contingency/Lawsuit Settlement Charges                                 | 16,500                     | 262,500                 | 261,744             | 756                                       |
| Miscellaneous  | 1,000                      | 1,385                   | 221                 | 1,164                                     |
| Capital Outlays  | 80,704                     | 71,328                  | 38,044              | 33,284                                    |
| Programs   | 25,000                     | 25,000                  | 16,572              | 8,428                                     |
| Total Expenditures Paid  | <u>\$ 2,057,283</u>        | <u>\$ 2,327,471</u>     | <u>\$ 2,130,214</u> | <u>\$ 197,257</u>                         |
| <u>EXCESS OF REVENUES COLLECTED OVER<br/>(UNDER) EXPENDITURES PAID</u> |                            |                         |                     |   |
|  | <u>\$ (61,484)</u>         | <u>\$ (600,750)</u>     | <u>\$ (231,290)</u> | <u>\$ 369,460</u>                         |
| <u>FUND BALANCE</u> - January 1  |                            |                         | <u>2,715,004</u>    |   |
| <u>FUND BALANCE</u> - December 31                                      |                            |                         | <u>\$ 2,483,714</u> |   |

The accompanying notes are an integral part of these financial statements.

SCENIC REGIONAL LIBRARY  
BUDGETARY COMPARISON SCHEDULE  
BUILDING FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010

|  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>     | <u>Variance<br/>with Final<br/>Budget</u> |
|--|----------------------------|-------------------------|-------------------|---|
| <u>REVENUES COLLECTED</u>  |                            |                         |                   |   |
| Taxes  | \$ -                       | \$ -                    | \$ -              | \$ -                                      |
| Earnings on Investments  | <u>1,000</u>               | <u>1,000</u>            | <u>1,224</u>      | <u>224</u>                                |
| Total Revenues Collected   | <u>\$ 1,000</u>            | <u>\$ 1,000</u>         | <u>\$ 1,224</u>   | <u>\$ 224</u>                             |
| <u>EXPENDITURES PAID</u>   |                            |                         |                   |   |
| Capital Outlay   | \$ -                       | \$ 18,850               | \$ 78,272         | (59,422)                                  |
| Total Expenditures Paid  | <u>\$ -</u>                | <u>\$ 18,850</u>        | <u>\$ 78,272</u>  | <u>\$ (59,422)</u>                        |
| <u>EXCESS OF REVENUES COLLECTED OVER</u><br><u>(UNDER) EXPENDITURES PAID</u> | <u>\$ 1,000</u>            | <u>\$ (17,150)</u>      | \$ (77,048)       | <u>\$ (59,198)</u>                        |
| <u>FUND BALANCE</u> - January 1  |                            |                         | <u>271,835</u>    |   |
| <u>FUND BALANCE</u> - December 31  |                            |                         | <u>\$ 194,787</u> |   |

The accompanying notes are an integral part of these financial statements.

SCENIC REGIONAL LIBRARY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2010

**Budgets and Budgetary Accounting**

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

- a. In accordance with Missouri statutes, the Library adopts a budget for each fund.
- b. Prior to January, the Director, who serves as the budget officer, submits to the Board a proposed budget for the fiscal year beginning on the following January 1. The proposed budget includes estimated revenues and proposed expenditures for all Library funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year.
- c. A public hearing is conducted to obtain taxpayer comments. Prior to its approval by the Board of Trustees the budget document is available for public inspection.
- d. On December 15, 2009, the budget was legally enacted by a vote of the Board of Trustees.
- e. Subsequent to its formal approval of the budget, the Board has the authority to make necessary adjustments to the budget by formal vote of the Board. Adjustments made during the year are reflected in the budget information included in the financial statements. Budgeted amounts are as originally adopted, or as amended by the Board of Trustees.
- f. The budget is prepared on the cash basis of accounting.