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**SCENIC REGIONAL LIBRARY**

**FINANCIAL REPORT**  
(Audited)

Year Ended December 31, 2013

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**SCENIC REGIONAL LIBRARY**  
**FINANCIAL REPORT**

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	<b>Page</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	3
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide Financial Statements:	
Statement of Net Position - Modified Cash Basis	7
Statement of Activities - Modified Cash Basis	8
Fund Financial Statements:	
Balance Sheet - Modified Cash Basis - Governmental Funds	9
Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis - Governmental Funds	10
Notes to Financial Statements	11
<b>SUPPLEMENTAL INFORMATION</b>	
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis - Budget and Actual:	
General Fund	24
Building Fund	25
Notes to Schedules of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis - Budget and Actual	26



**Hochschild, Bloom & Company LLP**  
Certified Public Accountants  
Consultants and Advisors

## INDEPENDENT AUDITOR'S REPORT

August 4, 2014

Board of Trustees  
**SCENIC REGIONAL LIBRARY**

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying modified cash basis financial statements of the governmental activities, and each major fund of the **SCENIC REGIONAL LIBRARY** (the Library), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note A-3; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Library's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the

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purpose of expressing an opinion on the effectiveness of the Library'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 statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, and each major fund of the Library as of December 31, 2013, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note A-3.

### **Basis of Accounting**

We draw attention to Note A-3 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's basic financial statements. The management's discussion and analysis and supplemental information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, 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 statements as a whole on the basis of accounting described in Note A-3.

### **OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2014 on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.

  
CERTIFIED PUBLIC ACCOUNTANTS

**SCENIC REGIONAL LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

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As management of the Scenic Regional Library (the Library), we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal year ended December 31, 2013. We encourage readers to consider the information presented here along with the Library's financial statements, including the footnotes that follow this Management's Discussion and Analysis (MD&A).

**FINANCIAL HIGHLIGHTS**

- On a government-wide basis the assets of the Library exceeded its liabilities for the most recent fiscal year by \$1,809,233. The Library has unrestricted net position of \$1,633,242.
- As of the close of the current fiscal year, the Library's governmental funds reported an ending fund balance of \$1,809,233.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,528,131.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This MD&A is intended to serve as an introduction to the Library's basic financial statements. The Library's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains supplemental information in addition to the basic financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business.

The statement of net position - modified cash basis presents information on all of the Library's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The statement of activities - modified cash basis presents information showing how the Library's net position changed during the most recent fiscal year.

The government-wide financial statements distinguish functions of the Library that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The Library has elected to utilize a modified cash basis of accounting as explained in Note A-3 of the notes to financial statements.

The government-wide financial statements can be found on pages 7 and 8 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library, like other state and local

**SCENIC REGIONAL LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

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governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Library are governmental funds. It should be noted that the Library does not have any fiduciary or proprietary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental funds financial statements utilize a current financial resources measurement focus as applied to the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. Such information may be useful in evaluating a government's near-term financing requirements.

The Library maintains two governmental funds. Information is presented separately in the governmental funds balance sheet - modified cash basis and in the governmental funds statement of revenues, expenditures, and changes in fund balances - modified cash basis for the General Fund and Building Fund all of which are considered major funds.

The Library adopts an annual appropriated budget for all governmental funds. Budgetary comparison statements have been provided for budgeted funds to demonstrate legal compliance with the respective adopted budget.

The governmental funds financial statements can be found on pages 9 and 10 of this report.

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and governmental funds financial statements. The notes to the basic financial statements can be found on pages 11 through 22 of this report.

**Supplemental information.** This MD&A and the budgetary comparison schedules represent additional financial information. Such information provides users of this report with data that supplements the government-wide financial statements, fund financial statements, and notes (referred to as "the basic financial statements").

**GOVERNMENT-WIDE FINANCIAL ANALYSIS - FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE**

A condensed version of the statement of net position - modified cash basis follows:

**SCENIC REGIONAL LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<b>December 31</b>	
	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>		
Cash and investments	\$ 1,818,410	2,038,206
<b>LIABILITIES</b>		
Payroll taxes payable	9,177	15,927
<b>NET POSITION</b>		
Restricted	175,991	185,468
Unrestricted	1,633,242	1,836,811
Total Net Position	\$ 1,809,233	2,022,279

**Governmental activities.** Governmental activities decreased the Library's net position by \$213,046. Key elements of this are as follows:

	<b>For The Years Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
<b>REVENUES</b>		
Program revenues:		
Charges for services	\$ 11,836	15,364
Capital grants and contributions	71,482	331
General revenues:		
Taxes	1,710,784	1,557,795
State aid	74,796	75,634
Investment income	8,794	13,861
Other	49,444	33,661
Total Revenues	1,927,136	1,697,095
<b>EXPENSES</b>		
Salaries and benefits	1,173,697	967,818
Library materials	371,582	407,277
Library operations	416,641	374,004
Capital expenses	156,926	86,690
Debt service	21,336	23,113
Total Expenses	2,140,182	1,858,902
<b>CHANGE IN NET POSITION</b>	(213,046)	(161,807)
<b>NET POSITION, JANUARY 1</b>	2,022,279	2,184,086
<b>NET POSITION, DECEMBER 31</b>	\$ 1,809,233	2,022,279

**SCENIC REGIONAL LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

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**Change in net position.** The decrease in net position of \$213,046 was largely attributable to an increase in capital expenses.

**FINANCIAL ANALYSIS OF THE LIBRARY'S FUNDS**

As noted earlier, the Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Library's governmental funds is to provide information on inflows and balances of available expendable resources. Such information is useful in assessing the Library's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At December 31, 2013, the General Fund's unassigned fund balance was \$1,528,131.

**SIGNIFICANT VARIANCES BETWEEN BUDGETS AND ACTUAL REVENUES AND EXPENDITURES**

In the General Fund, the following significant variances occurred between budget and actual revenues and expenditures:

- Actual revenue for taxes exceeded budgeted revenue by \$112,500 due to conservative budgeting and increased assessed valuations.
- Actual expenditures for postage exceeded the budget by \$17,865 due to the increased activity not initially budgeted.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Library expects revenues in the General Fund to increase by approximately 11% and expenditures to decrease by approximately 7% in 2014.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Library's finances for all those with an interest in the Library's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Scenic Regional Library  
308 Hawthorne Drive  
Union, MO 63084

**SCENIC REGIONAL LIBRARY**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**DECEMBER 31, 2013**

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	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 1,818,410
<b>LIABILITIES</b>	
Payroll taxes payable	<u>9,177</u>
<b>NET POSITION</b>	
Restricted for building	175,991
Unrestricted	<u>1,633,242</u>
Total Net Position	<u><u>\$ 1,809,233</u></u>

**SCENIC REGIONAL LIBRARY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Program Revenues		Net Revenues (Expenses) And Change In Net Position
	Charges For Services	Capital Grants And Contributions	Governmental Activities
<b>FUNCTIONS/PROGRAMS</b>	<b>Expenses</b>		
<b>Governmental Activities</b>			
Salaries and benefits	\$ 1,173,697	-	(1,173,697)
Library materials	371,582	11,836	(359,746)
Library operations	416,641	-	(416,641)
Capital outlays	156,926	-	(85,444)
Debt service	21,336	-	(21,336)
Total Governmental Activities	\$ 2,140,182	11,836	(2,056,864)
<b>General Revenues</b>			
Property taxes			1,710,784
State aid			74,796
Investment income			8,794
Other			49,444
Total General Revenues			1,843,818
<b>CHANGE IN NET POSITION</b>			(213,046)
NET POSITION, JANUARY 1			2,022,279
<b>NET POSITION, DECEMBER 31</b>			\$ 1,809,233

**SCENIC REGIONAL LIBRARY**  
**BALANCE SHEET - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2013**

	<b>General</b>	<b>Building</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and investments	\$ 1,632,790	185,620	1,818,410
Due from other funds	9,629	-	9,629
Total Assets	\$ 1,642,419	185,620	1,828,039
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Payroll taxes payable	\$ 9,177	-	9,177
Due to other funds	-	9,629	9,629
Total Liabilities	9,177	9,629	18,806
 <b>Fund Balances</b>			
Restricted for building	-	175,991	175,991
Committed to:			
Automation equipment	69,622	-	69,622
Library development	3,500	-	3,500
Endowment	31,989	-	31,989
Unassigned	1,528,131	-	1,528,131
Total Fund Balances	1,633,242	175,991	1,809,233
Total Liabilities And Fund Balances	\$ 1,642,419	185,620	1,828,039

**SCENIC REGIONAL LIBRARY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Building</u>	<u>Total</u>
<b>REVENUES</b>			
Taxes	\$ 1,710,784	-	1,710,784
State aid	74,796	-	74,796
Book sales	11,760	-	11,760
Grants and donations	78,978	-	78,978
Investment income	8,423	371	8,794
Non-resident fees	3,500	-	3,500
Miscellaneous	38,524	-	38,524
Total Revenues	<u>1,926,765</u>	<u>371</u>	<u>1,927,136</u>
<b>EXPENDITURES</b>			
Wages	888,423	-	888,423
Books	152,474	-	152,474
Reference and bibliography	3,675	-	3,675
Periodicals	17,198	-	17,198
Electronic materials	119,352	-	119,352
Other materials	78,883	-	78,883
Utilities	67,222	-	67,222
Taxes	69,970	-	69,970
Rent	59,604	-	59,604
Insurance	25,935	-	25,935
Repairs and maintenance	53,872	-	53,872
Supplies	35,386	-	35,386
Postage	40,865	-	40,865
Employee insurance	150,454	-	150,454
Employee retirement	64,850	-	64,850
Automotive	18,241	-	18,241
Professional fees	27,901	-	27,901
Travel and dues	24,015	-	24,015
Automation	38,134	-	38,134
Miscellaneous	7,258	-	7,258
Programs	18,208	-	18,208
Capital outlay	147,078	9,848	156,926
Debt service:			
Principal	13,455	-	13,455
Interest and other fiscal charges	7,881	-	7,881
Total Expenditures	<u>2,130,334</u>	<u>9,848</u>	<u>2,140,182</u>
<b>NET CHANGE IN FUND BALANCES</b>	(203,569)	(9,477)	(213,046)
FUND BALANCES, JANUARY 1	<u>1,836,811</u>	<u>185,468</u>	<u>2,022,279</u>
<b>FUND BALANCES, DECEMBER 31</b>	<u>\$ 1,633,242</u>	<u>175,991</u>	<u>1,809,233</u>

See notes to financial statements

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The **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 more significant accounting policies consistently applied by the Library in the preparation of the accompanying financial statements are summarized below:

**1. Reporting Entity**

The financial statements of the Library include the financial activities of the Library and any component units, entities which are financially accountable to the Library. The Library does not currently have any component units.

**2. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position - modified cash basis and the statement of activities - modified cash basis) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities - modified cash basis demonstrates the degree to which the direct expenses of a given function or segment is 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 and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

**Measurement Focus**

In the government-wide statement of net position - modified cash basis and the statement of activities - modified cash basis, the governmental activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting. However, the Library has elected not to report capital assets and long-term debt.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus, as applied to the modified cash basis of accounting, is used as appropriate. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as the measure of available spendable financial resources at the end of the period.

**Basis of Accounting**

In the government-wide statement of net position - modified cash basis and statement of activities - modified cash basis and the fund financial statements, governmental activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenses/expenditures when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid and accrued expenses and liabilities) are not recorded in these financial statements.

If the Library utilized the basis of accounting recognized as accounting principles generally accepted in the United States of America, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

The Library reports the following major governmental funds:

**General Fund** -- The General Fund is the general operating fund of the Library. It is used to account for all financial resources except those required to be accounted for in another fund.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

**Building Fund** -- The Building Fund is to account for the proceeds of long-term debt, taxes and other revenues designated for the acquisition or construction of capital assets.

**4. Cash and Investments**

State statutes authorize the Library to invest in obligations of the U.S. Treasury, federal agencies, commercial paper, corporate bonds, and repurchase agreements. Investments, if any, are reported at cost which approximates fair value.

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 which approximates fair value.

**5. 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, 2013, which totaled \$242,008, is not included in the accompanying financial statements.

**6. Compensated Absences**

The Library considers compensated absences 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.

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

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.

The Library's accrued compensated absences were as follows:

**SCENIC REGIONAL LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**6. Compensated Absences (Continued)**

	<b>December 31, 2013</b>	
	<b>Hours</b>	<b>Amount</b>
Sick leave	4,938	\$ 61,584
Vacation	1,378	23,317
Floating holidays	204	3,195
Total	6,520	\$ 88,096

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

**7. Property Taxes**

Property taxes may be levied each year on the assessed value listed as of January 1 for all real and personal property in the counties. Property taxes attach as an enforceable lien on property as of January 1. Taxes levied in November are due and payable prior to December 31.

The following is a summary of the 2013 assessed valuation and tax rates per \$100 of assessed value:

	<b>Assessed Valuation</b>	<b>Tax Levy (per \$100)</b>
Franklin County	\$ 1,559,279,036	0.0826
Warren County	530,049,697	0.0684
Gasconade County	214,694,634	0.0967
Total	\$ 2,304,023,367	

**8. 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.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**9. Use of Estimates**

The preparation of basic financial statements on the modified cash basis of accounting requires the Library to make estimates and assumptions that affect the reported amounts of assets and liabilities at fiscal year-end and revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**10. Fund Balance Policies**

The fund balance amounts are reported in the following applicable categories listed from the most restrictive to the least restrictive:

**Nonspendable** -- The portion of fund balance that is not in a spendable form or is required to be maintained intact.

**Restricted** -- The portion of fund balance that is subject to external restrictions and constrained to specific purposes imposed by agreement, through constitutional provisions, or by enabling legislation.

**Committed** -- The portion of fund balance with constraints or limitations by formal action (resolution) of the Board of Trustees, the highest level of decision-making authority.

**Assigned** -- The portion of fund balance that the Library intends to use for a specific purpose; as determined by the applicable Library officials to which the Board of Trustees has designated authority.

**Unassigned** -- Amounts that are available for any purpose; these positive amounts are reported only in the General Fund.

When both restricted and unrestricted resources are available, the Library will spend the most restricted amounts before the least restricted.

**11. 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 \$175,991 as of December 31, 2013, is included as restricted for building on the accompanying financial statements.

**SCENIC REGIONAL LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE B - CASH**

**Bank Deposits**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Library's bank 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 specified at RSMo 30.270 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, 2013, 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.

**NOTE C - CAPITAL ASSETS**

Capital asset activity was as follows:

	<b>For The Year Ended December 31, 2013</b>			
	<b>Balance</b>			<b>Balance</b>
	<b>December 31</b>	<b>Additions</b>	<b>Deletions</b>	<b>December 31</b>
	<b>2012</b>			<b>2013</b>
Land	\$ 472,741	-	-	472,741
Buildings	2,575,113	-	-	2,575,113
Automotive equipment	182,682	-	-	182,682
Equipment	292,770	110,315	-	403,085
Furniture and fixtures	553,502	-	-	553,502
	<b>\$ 4,076,808</b>	<b>110,315</b>	<b>-</b>	<b>4,187,123</b>
Total Capital Assets	<b>\$ 4,076,808</b>	<b>110,315</b>	<b>-</b>	<b>4,187,123</b>

The accompanying financial statements are prepared on the modified cash basis of accounting. Therefore, capital assets are not included.

**NOTE D - PENSION PLANS**

**Missouri Local Government Employees Retirement System (LAGERS)**

**1. Plan Description**

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.

**SCENIC REGIONAL LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE D - PENSION PLANS (Continued)**

**1. Plan Description (Continued)**

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 Missouri State Statute, Section RSMo 70.600 - 70.755. 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 the Internal Revenue Code Section 401(a) and it is tax exempt.

LAGERS issues a publicly available financial report that includes financial statements and required supplementary 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.

**2. Funding Policy**

The Library's full-time employees contribute 4% of their gross pay to the pension plan. The June 30 statutorily required rates is 12.3% (general) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the Library. The contribution provisions of the Library are established by state statute.

**3. Annual Pension Cost (APC) and Net Pension Obligation (NPO)**

The Library's APC and NPO for the current year were as follows:

	<b>For The Year Ended December 31 2013</b>
Annual required contribution (ARC)	\$ 80,538
Interest on NPO	6,073
Adjustment to ARC	(4,621)
APC	81,990
Actual contributions	60,484
Increase (decrease) in NPO	21,506
NPO, beginning of year	83,762
NPO, End Of Year	\$ 105,268

The ARC was determined as part of the February 28, 2011 and February 29, 2012 annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2013 included: a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually; b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation; c) additional projected salary increases ranging from 0% to 6%

**SCENIC REGIONAL LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE D - PENSION PLANS (Continued)**

**3. Annual Pension Cost (APC) and Net Pension Obligation (NPO) (Continued)**

per year, depending on age and division, attributable to seniority/merit; d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy Table set back zero years for men and zero years for women; and e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back zero years for men and zero years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 28, 2011 was 2 years for the General division. The amortization period as of February 29, 2012 was 30 years for the General division.

**Three-Year Trend Information**

<b>For The Plan Years Ended June 30</b>	<b>APC</b>	<b>Percentage Of APC Contributed</b>	<b>NPO</b>
2013	\$ 81,990	73.0 %	\$ 105,268
2012	84,434	69.8	83,762
2011	101,937	63.8	58,226

**Schedule of Funding Progress**

<b>For The Actuarial Valuation Years Ended February 28/29</b>	<b>Actuarial Value Of Assets</b>	<b>Entry Age Actuarial Accrued Liability</b>	<b>Unfunded Actuarial Accrued Liability (UAAL) (Asset)</b>
2013	\$ 56,091	\$ 1,088,439	\$ 1,032,348
2012	828,465	1,506,489	678,024
2011	1,338,543	2,173,506	834,963

**SCENIC REGIONAL LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE D - PENSION PLANS (Continued)**

**3. Annual Pension Cost (APC) and Net Pension Obligation (NPO) (Continued)**

<b>For The Actuarial Valuation Years Ended February 28/29</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>UAAL As A Percentage Of Covered Payroll</b>
2013	5 %	\$ 518,741	199 %
2012	55	502,867	135
2011	62	664,754	126

The above assets and AAL do not include the assets and present value of benefits associated with the Benefit Reserve Fund and Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2011 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS' office in Jefferson City, MO.

**NOTE E - LONG-TERM DEBT**

Notes payable consist of the following:

	<b>December 31 2013</b>
Note payable - \$160,000 bearing interest at 6%, payable in monthly installments of \$1,178, including principal and interest, maturing February 2021.	<u>\$121,863</u>

The note payable is due to an individual and is secured by a deed of trust for the property purchased. As part of this financing, the Library exchanged the property it had owned for the new property and agreed to finance the note payable with the seller of the new property, who in turn, took ownership of the old property.

Aggregate maturities required on long-term liabilities are as follows:

**SCENIC REGIONAL LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE E - LONG-TERM DEBT (Continued)**

<u>For The Years Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 14,431	6,906	21,337
2015	15,321	6,016	21,337
2016	16,250	5,087	21,337
2017	17,268	4,069	21,337
2018	18,333	3,004	21,337
2019 - 2021	<u>40,260</u>	<u>2,414</u>	<u>42,674</u>
Total Of Minimum Payments Required	<u>\$ 121,863</u>	<u>27,496</u>	<u>149,359</u>

The accompanying financial statements are prepared on the modified cash basis of accounting. Long-term debt is not included.

**NOTE F - 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>For The Years Ended December 31</u>	<u>Hermann</u>	<u>Pacific</u>	<u>Owensville</u>	<u>Total</u>
2014	\$ 14,294	28,800	6,300	49,394
2015	-	28,800	2,625	31,425
2016	-	28,800	-	28,800
2017	-	28,800	-	28,800
2018	<u>-</u>	<u>24,000</u>	<u>-</u>	<u>24,000</u>
Total Of Minimum Payments Required	<u>\$ 14,294</u>	<u>139,200</u>	<u>8,925</u>	<u>162,419</u>

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

**NOTE G - 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 \$13,985 for the year ended December 31, 2013. The agreement is in effect until cancelled by either party.

The Library has an agreement under the University of Missouri system provides internet connectivity, technical support, and training to the Library. The agreement amounted to \$17,488 for the year ended December 31, 2013. 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, 2013, to Washington and Sullivan were \$36,814 and \$2,585, respectively.

The Library also has other agreements in place for automation support reciprocal lending, and electronic database access, but the totals amounts paid during the year ended December 31, 2013 were not material to the financial statements taken as a whole.

**NOTE H - RESTRICTED NET POSITION**

The government-wide statement of net position report \$175,991 of restricted net position, of which all is restricted by enabling legislation.

**NOTE I - 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 settling 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 20<sup>th</sup> 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 20<sup>th</sup> Circuit Court, the Missouri Court of Appeals for the Eastern District reversed the trial court's decision and its finding against the Franklin County Library District. The Library District has filed for rehearing or transfer to the Missouri Supreme Court.

**SCENIC REGIONAL LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE I - CONTINGENCIES (Continued)**

The Library District's request for transfer to the Missouri Supreme Court was denied in September 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 that was issued on February 25, 2010.

Amounts returned to taxpayers under the orders related to the lawsuits mentioned above vary from year to year. The amount returned to taxpayers during the year ended December 31, 2013 amounted to \$194,694. This amount is shown as a decrease in local revenue on the accompanying financial statements. The final amounts were returned during fiscal year 2013.

**SUPPLEMENTAL INFORMATION SECTION**

**SCENIC REGIONAL LIBRARY**  
**SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES,**  
**EXPENDITURES, AND CHANGE IN FUND BALANCE -**  
**MODIFIED CASH BASIS - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>				
Taxes	\$ 1,582,869	1,598,284	1,710,784	112,500
State aid	70,738	75,634	74,796	(838)
Grants and donations	134,025	108,955	78,978	(29,977)
Investment income	10,000	3,800	8,423	4,623
Other	42,205	39,760	53,784	14,024
Total Revenues	<u>1,839,837</u>	<u>1,826,433</u>	<u>1,926,765</u>	<u>100,332</u>
<b>EXPENDITURES</b>				
Wages	921,628	921,628	888,423	(33,205)
Books	176,500	146,500	152,474	5,974
Reference and bibliography	3,500	3,800	3,675	(125)
Periodicals	17,000	17,112	17,198	86
Electronic materials	105,500	125,000	119,352	(5,648)
Other materials	74,843	83,232	78,883	(4,349)
Utilities	65,000	64,000	67,222	3,222
Taxes	73,504	73,504	69,970	(3,534)
Rent	59,000	59,000	59,604	604
Insurance	29,000	25,900	25,935	35
Repairs and maintenance	35,000	54,750	53,872	(878)
Supplies	24,000	35,800	35,386	(414)
Postage	14,200	23,000	40,865	17,865
Employee insurance	151,127	151,127	150,454	(673)
Employee retirement	68,660	68,660	64,850	(3,810)
Automotive	13,000	16,700	18,241	1,541
Professional fees	38,000	41,000	27,901	(13,099)
Travel and dues	18,000	20,000	24,015	4,015
Automation	46,000	38,000	38,134	134
Miscellaneous	1,000	6,200	7,258	1,058
Programs	28,000	17,000	18,208	1,208
Capital outlay	523,148	180,275	147,078	(33,197)
Debt service:				-
Principal	13,455	13,455	13,455	-
Interest	7,881	7,881	7,881	-
Total Expenditures	<u>2,506,946</u>	<u>2,193,524</u>	<u>2,130,334</u>	<u>(63,190)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (667,109)</u>	<u>(367,091)</u>	<u>(203,569)</u>	<u>163,522</u>
FUND BALANCE, JANUARY 1			<u>1,836,811</u>	
FUND BALANCE, DECEMBER 31			<u>\$ 1,633,242</u>	

**SCENIC REGIONAL LIBRARY**  
**SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES,**  
**EXPENDITURES, AND CHANGE IN FUND BALANCE - MODIFIED CASH**  
**BASIS - BUDGET AND ACTUAL - BUILDING FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

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	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>				
Investment income	\$ -	-	371	371
<b>EXPENDITURES</b>				
Capital outlay	10,000	11,200	9,848	(1,352)
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (10,000)</b>	<b>(11,200)</b>	<b>(9,477)</b>	<b>1,723</b>
FUND BALANCE, JANUARY 1			185,468	
<b>FUND BALANCE, DECEMBER 31</b>			<b>\$ 175,991</b>	

**SCENIC REGIONAL LIBRARY**  
**SUPPLEMENTAL INFORMATION - NOTES TO SCHEDULES OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

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**Budgetary Data**

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

- a. The proposed budget is submitted to the Board of Trustees for the fiscal year. The operating budget includes proposed expenditures and means of financing them, not to exceed the total revenue of the preceding year plus any unassigned balance at the end of such year.
- b. Public hearings are conducted in August to obtain taxpayer input and comments.
- c. The budget must be adopted by the affirmative vote of a majority of the Board of Trustees for each fiscal year.
- d. The Library prepares its budget for all governmental funds on the modified cash basis of accounting.
- e. The Board of Trustees authorizes revisions that alter the total expenditures of a fund. All appropriations not spent lapse at fiscal year-end.
- f. During the year the Board of Trustees may authorize supplemental appropriations to the budget.
- g. The Library prepares and legally adopts an annual budget for all governmental funds.