

SCENIC REGIONAL LIBRARY

UNION, MISSOURI

AUDIT REPORT

For the Year Ended December 31, 2009

***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, 2009, 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 opinion.

As discussed in Note 1, the financial statements were prepared 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 cash balances of Scenic Regional Library as of December 31, 2009, and the cash receipts and cash disbursements for the year then ended, on the cash basis of accounting as described in Note 1.

The required supplementary information, as listed in the table of contents, including Management's Discussion and Analysis and the Budgetary Comparison Schedules, is not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and do not express an opinion on it.

*Unnerstall and Unnerstall*

Unnerstall and Unnerstall  
Certified Public Accountants, P.C.

June 16, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

# SCENIC REGIONAL LIBRARY

FRANKLIN • GASCONADE • WARREN COUNTIES

Administrative Office:  
Phone: 636-583-3224  
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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.

### Financial Highlights

Operating tax receipts in 2009 totaled \$1,947,206 which was \$89,576 under 2008 receipts. These tax receipts include income on new construction/growth as well as delinquent taxes from previous years.

Receipts from State Aid to Public Libraries were flat in 2009 with the Franklin, Gasconade and Warren County Library Districts receiving a total of \$63,864. State Aid to Public Libraries is a per capita amount appropriated by the Missouri Legislature and is paid on the number of people living in each library district. In 2009 the per capita amount was approximately 55 cents.

Interest on general funds and reserves decreased by \$51,905 from 2008 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 book sales, non-resident fees, fines, damages and copying fees increased from \$51,229 to \$76,190.

In 2009 Scenic Regional Library received \$22,444 in Out-of-State Athletes & Entertainers Tax.

Total revenues (not including receipts from the Warren County Library District Building Tax) were \$2,139,965, a decrease of \$118,018 or 5.23% from 2008 total revenues.

Total expenditures in 2009 were \$1,939,620, an increase of \$8,497 or 0.44% over 2008 expenditures.

### General Trends and Significant Events

Scenic Regional Library continually strives to meet the needs of the residents of its three county service area. This becomes more challenging each year due to the rapid advances in technology, the ever-expanding world of information, and reduction in revenues. In today's climate individuals expect instant responses when searching for materials and information. Scenic Regional Library is committed to addressing these challenges while also providing traditional library services.

Use of traditional library materials in 2009 was the highest in the 50 year history of the system, with system-wide circulation (seven libraries and the bookmobile) totaling 536,742 items. 2009 marked the fifth year in a row that overall circulation exceeded the half-million mark.

Usage of the library's public computers for Internet access continued to increase. Last year, individuals used these public access computers 65,941 times. In 2008 this usage totaled 60,492 times. Since 2004, usage has increased by 66.2%.

In 2009, 39,173 items were renewed over the library's website, an increase of 8.35%. Library users may choose to be notified by e-mail when items they have requested are ready to be picked up at their nearest branch library.

Individuals may search for information using authoritative databases compiled by recognized companies in the information field, not material added to the Internet by unknown sources. Scenic Regional Library continues to add to its collection of authoritative databases and now has approximately 30 databases available remotely on its website. These resources were searched 89,841 times by library patrons in 2009. Databases for adults include legal forms, business information, investment guidance from Morningstar and Valueline, genealogy, antique/collectible prices, biographies, literature and full text articles from over 2,000 magazines and journals. Homework help for children features encyclopedias, magazine articles written for children, maps, and images. Accelerated Reading and Reading Counts lists from schools in the library's three county service area are also included and linked to Scenic Regional's catalog, allowing students and parents to choose books, then place them on request.

Scenic Regional Library has always gone outside of its own collection to meet the needs of its users. In 2009, a total of 1,500 requests were sent to other libraries in Missouri and across the United States, with 1,265 requests being filled. Libraries in other parts of Missouri and the United States requested 4,814 items from Scenic Regional's collection and Scenic loaned 3,236 of those items requested.

In 2009, a total of 326,352 visits were made to libraries in the regional system. On average, 6,276 people came to the libraries each week.

Scenic Regional Library provided a variety of programs at each of its branches in addition to the Summer Reading Program, which was also available to bookmobile users. Last year, the Summer Reading Program had 3,767 participants.

Attendance at story times, special programs and visits to area schools totaled 19,609. The children's program has continued to grow under Christy Schink, Children's Librarian. It is very important for children to develop an early love of reading and Scenic Regional Library is committed to helping to instill this feeling. Adult programs also increased in 2009 under the direction of Vivienne Beckett, Assistant Director/Adult Services Librarian.

Scenic Regional Library has Reciprocal Lender's Agreements with the Washington Municipal Library and the Sullivan Municipal Library. Under the terms of these agreements, library users no longer have to pay a non-resident fee to use another library. The libraries pay for usage by their residents at the rate of 25 cents per item. In 2009, a total of 135,365 items were borrowed under the terms of these agreements between the three libraries. Scenic Regional Library paid a total of \$30,164.75 to the other

two libraries so that individuals living and paying taxes to Scenic Regional might use these other two libraries for free. Reciprocal lending agreements are also maintained with Missouri River Regional Library, Heartland Regional Library, Ozark Regional Library, and East Central College Library. These agreements do not involve any fees.

In closing, it should be noted that four significant events in 2009 deserve comment.

Scenic Regional Library celebrated 50 years of service to the library districts of Franklin, Warren, and Gasconade Counties. Several special events were held and historical events were highlighted. Many of the statistics above reflect the fact that 2009 was the busiest year in the system's one-half century existence.

In 2009, Scenic Regional Library offered its first full year of access to an online tutoring service from Tutor.com™ entitled Live Homework Help®. This service connects students to expert tutors via the Internet. Students from Kindergarten to 12<sup>th</sup> grade, introductory college students, and adult learners can get on-demand, free help from qualified tutors by simply visiting Scenic Regional Library's website. This service can be accessed from a public access computer in the libraries or from a student's home computer daily from 2:00 pm to midnight. Instant help from a live tutor, via an online classroom within a real-time chat environment makes each session personalized and most effective. This free service from the library is comparable to an individual hiring a private tutor to receive help in basic or advanced subjects. Scenic Regional Library was the second public library in the state of Missouri to offer this service and the response has been overwhelmingly favorable.

A comprehensive cooperative service agreement between Scenic Regional Library and the Washington Municipal Library District became a reality on July 30, 2009. The Washington Public Library 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. The combined catalog became operational in February of 2010. 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.

Finally, on a more pessimistic note, the Missouri Eastern District Court of Appeals reversed the 2007 ruling of the 20<sup>th</sup> Circuit Court regarding the proper level of the Franklin County Library District tax levy. 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. It is 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.

In the face of adversity, Scenic Regional Library will strive to meet the challenges and demands placed upon it by its constituency.

Kenneth J. Rohrbach  
Director, Scenic Regional Library



FINANCIAL STATEMENTS

SCENIC REGIONAL LIBRARY  
STATEMENT OF CASH BALANCES - CASH BASIS  
DECEMBER 31, 2009

ASSETS

Cash On Hand	\$ 938
Cash - Checking	347,368
Cash - Savings/Certificates of Deposit/Tax Revenue	<u>2,638,533</u>
Total Assets	<u>\$ 2,986,839</u>

FUND EQUITY

Reserved for Building	\$ 271,835
Designated Fund Balance	1,438,126
Undesignated Fund Balance	<u>1,276,878</u>
Total Fund Equity	<u>\$ 2,986,839</u>

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

SCENIC REGIONAL LIBRARY  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2009

Governmental Activity	Expenses	Charges for Services	Operating Grants	Capital Grants	Net Change
Salaries and Benefits	\$ (1,073,079)	\$ -	\$ -	\$ -	\$ (1,073,079)
Library Materials	(452,204)	16,434	-	-	(435,770)
Occupancy	(134,220)	-	-	-	(134,220)
General and Administrative	(235,850)	-	-	-	(235,850)
Capital Outlays	(115,819)	-	-	-	(115,819)
	<u>\$ (2,011,172)</u>	<u>\$ 16,434</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,994,738)</u>
General Revenues:					
Property Taxes					\$ 2,142,785
State Aid					63,864
Earnings on Investments					32,217
Other					59,756
Total General Revenues					<u>\$ 2,298,622</u>
Special Items:					
Proceeds from Bond Issues, Net of Costs					\$ -
Increase (Decrease) in Cash Balances					\$ 303,884
Cash and Investment Balances - Beginning					<u>2,682,955</u>
Cash and Investment Balances - Ending					<u>\$ 2,986,839</u>

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

SCENIC REGIONAL LIBRARY  
STATEMENT OF CASH BALANCES - CASH BASIS - ALL GOVERNMENTAL FUND TYPES  
DECEMBER 31, 2009

	<u>General</u>	<u>Building</u>	<u>Totals</u>
<u>ASSETS</u>			
Petty Cash	\$ 938	\$ -	\$ 938
Cash in Bank:			
Regular Checking	63,074	271,835	334,909
Franklin County Library Fund	820,820	-	820,820
Gasconade County Library Fund	115,301	-	115,301
Warren County Library Fund	245,978	-	245,978
Gift and Endowment Fund	21,192	-	21,192
Vossbrink Bequest	9,575	-	9,575
Designated Reserve Funds	<u>1,438,126</u>	<u>-</u>	<u>1,438,126</u>
Total Assets	<u>\$ 2,715,004</u>	<u>\$ 271,835</u>	<u>\$ 2,986,839</u>
<u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITIES</u>			
None	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>FUND EQUITY</u>			
Reserved for Building	\$ -	\$ 271,835	\$ 271,835
Designated Fund Balance	1,438,126	-	1,438,126
Undesignated Fund Balance	<u>1,276,878</u>	<u>-</u>	<u>1,276,878</u>
Total Fund Equity	<u>\$ 2,715,004</u>	<u>\$ 271,835</u>	<u>\$ 2,986,839</u>
Total Liabilities and Fund Equity	<u>\$ 2,715,004</u>	<u>\$ 271,835</u>	<u>\$ 2,986,839</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, 2009

	<u>General</u>	<u>Building</u>	<u>Total</u>
<u>REVENUES COLLECTED</u>			
Taxes	\$ 1,969,722	\$ 173,063	\$ 2,142,785
State Aid	63,864	-	63,864
Interest	30,189	2,028	32,217
Book Sales	12,804	-	12,804
Non-Resident Fees	3,630	-	3,630
Miscellaneous Revenue	59,756	-	59,756
Total Revenues Collected	<u>\$ 2,139,965</u>	<u>\$ 175,091</u>	<u>\$ 2,315,056</u>
<u>EXPENDITURES PAID</u>			
Wages	\$ 816,538	\$ -	\$ 816,538
Books	233,834	-	233,834
Reference and Bibliography	95,895	-	95,895
Periodicals	15,800	-	15,800
Other Materials	106,675	-	106,675
Utilities	59,527	-	59,527
Taxes	65,124	-	65,124
Rent	56,226	-	56,226
Insurance	23,710	-	23,710
Repairs and Maintenance	48,712	-	48,712
Supplies	44,201	-	44,201
Postage	13,583	-	13,583
Employee Health Insurance	138,208	-	138,208
Employee Retirement	53,210	-	53,210
Automotive Expense	11,467	-	11,467
Professional Fees	28,255	-	28,255
Travel and Dues	12,016	-	12,016
Automation	53,153	-	53,153
Miscellaneous	1,031	-	1,031
Capital Outlays	42,851	71,551	114,402
Programs	19,605	-	19,605
Total Expenditures Paid	<u>\$ 1,939,621</u>	<u>\$ 71,551</u>	<u>\$ 2,011,172</u>
<u>EXCESS OF REVENUES COLLECTED</u>			
<u>OVER (UNDER) EXPENDITURES PAID</u>	\$ 200,344	\$ 103,540	\$ 303,384
<u>FUND BALANCE - January 1</u>	<u>2,514,660</u>	<u>168,295</u>	<u>2,682,955</u>
<u>FUND BALANCE - December 31</u>	<u>\$ 2,715,004</u>	<u>\$ 271,835</u>	<u>\$ 2,986,839</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, 2009

**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 Cash Balances and Statement of Cash Receipts and Disbursements 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, 2009.

## **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, 2009, 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, 2009 the Library had no investments in U.S. Treasury obligations or other governmental agencies.

## **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, 2009 which totaled \$244,000, 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 2008 which were received by the Library in 2009 was as follows:

	<u>Assessed Valuation</u>	<u>Tax Levy (per \$100)</u>
Franklin County	\$ 1,540,623,985	\$ .0758
Warren County	519,799,441	.0663
Gasconade County	<u>210,344,282</u>	.0953
Totals	<u>\$ 2,270,767,708</u>	

The receipts of current and delinquent property taxes during the year ended December 31, 2009, aggregated approximately 102.38% 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, 2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>December 31, 2009</u>
Land	\$ 447,741	\$ -	\$ -	\$ 447,741
Buildings	2,011,797	87,779	-	2,099,576
Automotive Equipment	169,799	-	-	169,799
Furniture and Equipment	<u>643,317</u>	<u>28,040</u>	<u>6,488</u>	<u>664,869</u>
Totals	<u>\$ 3,272,654</u>	<u>\$115,819</u>	<u>\$ 6,488</u>	<u>\$ 3,381,985</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. RESERVED 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 \$271,835 as of December 31, 2009, is included as Reserved for Building on the accompanying financial statements.

## 7. 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>
2010	\$ 22,728	\$ 28,800	\$ 6,000
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.

## 8. DESIGNATED FUND BALANCE

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 reserves consisted of the following as of December 31, 2009:

Automotive Equipment	\$ 66,215
Automation	131,640
Library Development & Improvement	<u>1,240,271</u>
Total Reserves	<u>\$ 1,438,126</u>

These amounts are shown as Designated Fund Balance 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 \$9,164 for the year ended December 31, 2009. 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 \$13,430 for the year ended December 31, 2009. 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, 2009, to Washington and Sullivan were \$29,438 and \$2,475, respectively.

The Library has an agreement under which Tutor.com Inc. provides live online homework assistance to the patrons of the Library. The agreement amounted to \$7,000 for the year ended December 31, 2009. The agreement is in effect until October, 2010.

#### 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, 2009, the Library's accrued compensated absences were as follows:

	<u>Hours</u>	<u>Amount</u>
Sick Leave	5,380	\$ 99,438
Vacation	1,799	35,430
Floating Holidays	<u>730</u>	<u>15,693</u>
Totals	<u>7,909</u>	<u>\$ 150,561</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 8.3%(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 Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/2007	\$ 81,157	100%	\$ 0
06/30/2008	78,237	100%	0
06/30/2009	76,790	100%	0

### Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Entry Age Actuarial Accrued Liability</u>	<u>(b-a) Unfunded (Excess) Accrued Liability (UAL)</u>	<u>(a/b) Funded Ratio</u>	<u>(c) Annual Covered Payroll</u>	<u>[(b-a)/c] UAL as a Percentage of Covered Payroll</u>
2/28/2007	\$ 1,721,309	\$ 2,158,146	\$ 436,837	80%	\$ 548,199	80%
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%

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 is involved in a lawsuit that alleges 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. The Library's attorney estimates the Library's range of loss to be between \$0 and \$2,400,000.

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.

REQUIRED SUPPLEMENTAL INFORMATION

SCENIC REGIONAL LIBRARY  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>REVENUES COLLECTED</u>				
Taxes	\$ 2,114,709	\$ 1,802,882	\$ 1,969,722	\$ 166,840
State Aid	63,864	75,407	63,864	(11,543)
Interest	76,000	76,000	30,189	(45,811)
Other	40,500	40,500	76,190	35,690
Total Revenues Collected	<u>\$ 2,295,073</u>	<u>\$ 1,994,789</u>	<u>\$ 2,139,965</u>	<u>\$ 145,176</u>
<u>EXPENDITURES PAID</u>				
Wages	\$ 836,956	\$ 836,956	\$ 816,538	\$ 20,418
Books	328,913	326,913	233,834	93,079
Reference and Bibliography	130,000	130,000	95,895	34,105
Periodicals	16,500	16,500	15,800	700
Other Materials	149,000	149,000	106,675	42,325
Utilities	68,000	68,000	59,527	8,473
Taxes	68,221	68,221	65,124	3,097
Rent	57,673	57,673	56,226	1,447
Insurance	26,750	26,750	23,710	3,040
Repairs and Maintenance	52,300	54,300	48,712	5,588
Supplies	50,000	50,000	44,201	5,799
Postage	15,000	15,000	13,583	1,417
Employee Health Insurance	138,215	138,215	138,208	7
Employee Retirement	53,042	53,042	53,210	(168)
Automotive Expense	16,500	16,500	11,467	5,033
Professional Fees	65,500	40,500	28,255	12,245
Travel and Dues	15,500	15,500	12,016	3,484
Automation	61,500	61,500	53,153	8,347
Miscellaneous	2,600	2,600	1,031	1,569
Capital Outlays	176,903	143,852	42,851	101,001
Programs	30,000	30,000	19,605	10,395
Total Expenditures Paid	<u>\$ 2,359,073</u>	<u>\$ 2,301,022</u>	<u>\$ 1,939,621</u>	<u>\$ 361,401</u>
<u>EXCESS OF REVENUES COLLECTED OVER (UNDER) EXPENDITURES PAID</u>	<u>\$ (64,000)</u>	<u>\$ (306,233)</u>	<u>\$ 200,344</u>	<u>\$ 506,577</u>
<u>FUND BALANCE</u> - January 1			<u>2,514,660</u>	
<u>FUND BALANCE</u> - December 31			<u>\$ 2,715,004</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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>REVENUES COLLECTED</u>				
Taxes	\$ -	\$ 195,405	\$ 173,063	\$ (22,342)
Interest	-	-	2,028	2,028
Total Revenues Collected	<u>\$ -</u>	<u>\$ 195,405</u>	<u>\$ 175,091</u>	<u>\$ (20,314)</u>
<u>EXPENDITURES PAID</u>				
Capital Outlay	\$ -	\$ -	\$ 71,551	(71,551)
Total Expenditures Paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,551</u>	<u>\$ (71,551)</u>
<u>EXCESS OF REVENUES COLLECTED OVER (UNDER) EXPENDITURES PAID</u>	<u>\$ -</u>	<u>\$ 195,405</u>	\$ 103,540	<u>\$ (91,865)</u>
<u>FUND BALANCE</u> - January 1			<u>168,295</u>	
<u>FUND BALANCE</u> - December 31			<u>\$ 271,835</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, 2009

**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 16, 2008, 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.