

SCENIC REGIONAL LIBRARY

UNION, MISSOURI

AUDIT REPORT

For the Year Ended December 31, 2012

UNNERSTALL

and

UNNERSTALL

Certified Public Accountants, P.C.

SCENIC REGIONAL LIBRARY
TABLE OF CONTENTS

<u>INDEPENDENT AUDITORS' REPORT</u>	<u>PAGE</u> 1
<u>REQUIRED SUPPLEMENTAL INFORMATION</u> Management's Discussion and Analysis	4
<u>FINANCIAL STATEMENTS</u> <u>Government-Wide Financial Statements</u> Statement of Net Assets - Modified Cash Basis Statement of Activities - Modified Cash Basis <u>Fund Financial Statements</u> Statement of Assets and Liabilities and Fund Balances - Modified Cash Basis - All Governmental Fund Types Statement of Revenues Collected, Expenditures and Changes in Fund Balances - Modified Cash Basis - All Governmental Fund Types Notes to Financial Statements	 9 10 11 12 13
<u>REQUIRED SUPPLEMENTAL INFORMATION</u> Budgetary Comparison Schedule - General Fund Budgetary Comparison Schedule - Building Fund Notes to Required Supplementary Information - Budgetary Comparison Schedule	 24 25 26

Tim A. Unnerstall, C.P.A.
Steven G. Unnerstall, C.P.A.

18 West Second Street
Washington, MO 63090-2531

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

Phone: 636-239-6439
Fax : 636-239-1052

info@unncpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Scenic Regional Library
Union, Missouri

We have audited the accompanying financial statements of the governmental activities of Scenic Regional Library as of and for the year ended December 31, 2012, 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 modified 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 - modified cash basis of Scenic Regional Library as of December 31, 2012, and the respective changes in financial position - modified 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.

June 21, 2013

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, 2012.

FINANCIAL HIGHLIGHTS

The library system's total fund equity decreased by \$194,327. 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 \$165,264. This was primarily due to the 2011 revenue including proceeds from long-term debt for the new building in St. Clair—\$160,000.

The statements on the following pages reflect the status of the library system resulting from activity in the year 2012. To briefly summarize that activity, the library system as a whole circulated 504,415 items. Searches on library subscription databases totaled 169,165 with an additional 813 online tutoring sessions. 19,496 books, audio CDs, music CDs, DVDs and magazines were added to the library's collection which now totals 263,764 items. There were approximately 311,637 visits to all of the library system's facilities in 2012. The Internet was used for 56,759 sessions. Finally, 2,948 children and 1,194 adults participated in programs sponsored by the library and an additional 4,185 children attended library story times.

COMPARISON OF FUND EQUITY

The following compares cash balances on hand at the end of 2012 with the previous year:

	<u>2012</u>	<u>2011</u>
ASSETS:		
Cash On Hand	\$840	\$895
Cash – Checking	\$284,845	\$112,020
Cash – Saving/CD's/Tax Revenue	<u>\$1,752,521</u>	<u>\$2,119,618</u>
Total Assets	\$2,038,206	\$2,232,533
LIABILITIES:		
Accounts Payable and Accrued Expenses	\$15,927	\$48,447
FUND EQUITY:		
Reserved for Building	\$185,468	\$192,367
Unrestricted	<u>\$1,836,811</u>	<u>\$1,991,719</u>
Total Fund Equity	\$2,038,206	\$2,232,533

COMPARISON OF REVENUES AND EXPENDITURES

	<u>2012</u>	<u>2011</u>
REVENUES		
Taxes	\$1,557,795	\$1,552,950
State Aid	75,634	73,274
Investment Income	13,430	16,695
Building Fund Interest (Warren County)	431	680
Grants and Donations	5,825	12,901
Book Sales	11,514	14,096
Non-resident fees	3,850	3,765
Proceeds from Long-term Debt	-	160,000
Miscellaneous Revenue	<u>28,616</u>	<u>27,988</u>
Total Revenues	\$1,697,095	\$1,862,359

EXPENSES

Salaries & Benefits	\$967,818	\$1,083,878
Library Materials	407,277	349,470
Library Operations	374,004	412,025
Capital Expenses	79,360	488,742
Debt Service	<u>23,115</u>	<u>19,559</u>
	\$1,851,572	\$2,353,674
Warren County Building Fund	<u>7,330</u>	<u>3,100</u>
Total Expenses	\$1,858,902	\$2,356,774

Operating tax receipts in 2012 totaled \$1,557,795 which was \$4,845 over 2011 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 increased in 2012 with the Franklin, Gasconade and Warren County Library Districts receiving a total of \$67,554 due to population increases in Franklin and Warren Counties. State Aid to Public Libraries is a per capita amount appropriated by the Missouri Legislature and the FY12 amount remained at 50 cents. Gasconade County Equalization funds decreased to \$8,080.

Interest on general funds and reserves decreased by \$3,514 from 2011 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 and miscellaneous revenue decreased from \$58,750 to \$49,805. However, the decrease was largely due to a \$7,076 decrease in grant revenue. The 2011 grant revenue figures included the library's Gates Grant and Website Makeover Grant. In 2012 Scenic Regional Library received no funds Out-of-State Athletes & Entertainers Tax.

Total revenues were \$1,697,095, a decrease of \$165,264 or 8.87% decrease from 2011 total revenues. This was primarily due to the 2011 revenue including proceeds from long-term debt for the new building in St. Clair—\$160,000. Total expenditures in 2012 were \$1,851,572, a decrease of \$502,102 or 21.33% from 2011 expenditures. This is primarily due to the capital expenses associated with the new St. Clair building in 2011 and a decrease in salaries and benefits due to several temporarily unfilled positions.

As a result of a change in budgeting procedures implemented during the 2012 fiscal year, the budgeted revenue amounts reported on the audit include 13 monthly budget cycles. This is a onetime occurrence and only affects the audit for the current fiscal year. This note should be kept in mind when review the budgetary comparison schedules.

In closing, it should be noted that the following events in 2012 deserve comment.

A new library director, Steven Campbell, began July 2, 2012. The assistant director position was eliminated and replaced with a facilities manager, Union branch manager, and part-time administrative assistant for the library director. In addition, part-time adult programming coordinators were hired for the library's Union and Warrenton branches. The new positions began an ongoing process to increase staffing throughout the library system and engage the local communities with outreach and increased programming.

A computer replacement plan was established, a new server purchased through a grant, and other measures enacted in 2012 to improve the library's information technology infrastructure.

The effects of the Missouri Eastern District Court of Appeals reversal of the 2007 ruling of the 20th Circuit Court regarding the proper level of the Franklin County Library District tax levy continue to impact the library system. 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. This ruling resulted in the Franklin County Library District's tax levy to remain at 7.77 cents in 2012. This levy placed the library district at a rank of 131 out of 134 libraries in collecting taxes in Missouri. In this final year of a three year payback period, the effective tax rate was 5.89 cents which is the lowest in the state and resulted in a loss of \$289,658 for the library.

Steven W. Campbell
Library Director

FINANCIAL STATEMENTS

SCENIC REGIONAL LIBRARY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2012

ASSETS

Cash On Hand	\$ 840
Cash - Checking	284,845
Cash and Investments - Reserves	<u>1,752,521</u>
Total Assets	<u>\$ 2,038,206</u>

LIABILITIES

Accounts Payable and Accrued Expenses	<u>\$ 15,927</u>
---------------------------------------	------------------

NET ASSETS

Restricted for Building	\$ 185,468
Unrestricted	<u>1,836,811</u>
Total Net Assets	<u>\$ 2,022,279</u>
Total Liabilities and Net Assets	<u>\$ 2,038,206</u>

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

SCENIC REGIONAL LIBRARY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

Governmental Activity	Expenses	Charges for Services	Operating Grants	Capital Grants	Net Change
Salaries and Benefits	\$ (967,818)	\$ -	\$ -	\$ -	\$ (967,818)
Library Materials	(407,277)	15,364	-	-	(391,913)
Occupancy	(140,560)	-	-	-	(140,560)
General and Administrative	(233,444)	-	-	-	(233,444)
Capital Outlays	(86,691)	-	-	331	(86,360)
Debt Service	(23,115)	-	-	-	(23,115)
	<u>\$ (1,858,905)</u>	<u>\$ 15,364</u>	<u>\$ -</u>	<u>\$ 331</u>	<u>\$ (1,843,210)</u>
General Revenues:					
Property Taxes					\$ 1,557,795
State Aid					75,634
Earnings on Investments					14,313
Other					33,661
Total General Revenues					<u>\$ 1,681,403</u>
Increase (Decrease) in Net Assets					\$ (161,807)
Net Assets - Beginning					<u>2,184,086</u>
Net Assets - Ending					<u>\$ 2,022,279</u>

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

SCENIC REGIONAL LIBRARY
STATEMENT OF ASSETS AND LIABILITIES AND FUND BALANCES - MODIFIED CASH BASIS
ALL GOVERNMENTAL FUND TYPES
DECEMBER 31, 2012

	<u>General</u>	<u>Building</u>	<u>Totals</u>
<u>ASSETS</u>			
Petty Cash	\$ 840	\$ -	\$ 840
Cash and Investments:			
Regular Checking	99,377	185,468	284,845
Franklin County Library Fund	237,312	-	237,312
Gasconade County Library Fund	115,843	-	115,843
Warren County Library Fund	210,497	-	210,497
Gift and Endowment Fund	33,018	-	33,018
Reserve Funds	<u>1,155,851</u>	<u>-</u>	<u>1,155,851</u>
Total Assets	<u>\$ 1,852,738</u>	<u>\$ 185,468</u>	<u>\$ 2,038,206</u>
<u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITIES</u>			
Accrued Expenses	<u>\$ 15,927</u>	<u>\$ -</u>	<u>\$ 15,927</u>
<u>FUND BALANCES</u>			
Restricted for Building	\$ -	\$ 185,468	\$ 185,468
Committed to:			
Automotive Equipment	69,225	-	69,225
Automation Improvement	137,688	-	137,688
Library Development	948,938	-	948,938
Endowment	33,018	-	33,018
Unassigned	<u>647,942</u>	<u>-</u>	<u>647,942</u>
Total Fund Balances	<u>\$ 1,836,811</u>	<u>\$ 185,468</u>	<u>\$ 2,022,279</u>
Total Liabilities and Fund Balances	<u>\$ 1,852,738</u>	<u>\$ 185,468</u>	<u>\$ 2,038,206</u>

The accompanying notes are an integral part of these financial statements

SCENIC REGIONAL LIBRARY
STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>General</u>	<u>Building</u>	<u>Total</u>
<u>REVENUES COLLECTED</u>			
Taxes	\$ 1,557,795	\$ -	\$ 1,557,795
State Aid	75,634	-	75,634
Earnings on Investments	13,430	431	13,861
Grants and Donations	5,825	-	5,825
Book Sales	11,514	-	11,514
Non-Resident Fees	3,850	-	3,850
Miscellaneous Revenue	28,616	-	28,616
Total Revenues Collected	<u>\$ 1,696,664</u>	<u>\$ 431</u>	<u>\$ 1,697,095</u>
<u>EXPENDITURES PAID</u>			
Wages	\$ 735,477	\$ -	\$ 735,477
Books	193,646	-	193,646
Reference and Bibliography	6,200	-	6,200
Periodicals	17,104	-	17,104
Electronic Materials	114,432	-	114,432
Other Materials	75,895	-	75,895
Utilities	58,238	-	58,238
Taxes	57,372	-	57,372
Rent	63,237	-	63,237
Insurance	29,954	-	29,954
Repairs and Maintenance	48,218	-	48,218
Supplies	26,337	-	26,337
Postage	33,217	-	33,217
Employee Health Insurance	121,067	-	121,067
Employee Retirement	53,902	-	53,902
Automotive Expense	13,313	-	13,313
Professional Fees	29,018	-	29,018
Travel and Dues	13,695	-	13,695
Automation	44,751	-	44,751
Miscellaneous	3,180	-	3,180
Capital Outlays	79,360	7,330	86,690
Programs	10,844	-	10,844
Debt Service	23,115	-	23,115
Total Expenditures Paid	<u>\$ 1,851,572</u>	<u>\$ 7,330</u>	<u>\$ 1,858,902</u>
<u>EXCESS OF REVENUES COLLECTED</u>			
<u>OVER (UNDER) EXPENDITURES PAID</u>	\$ (154,908)	\$ (6,899)	\$ (161,807)
<u>FUND BALANCE - January 1</u>	<u>1,991,719</u>	<u>192,367</u>	<u>2,184,086</u>
<u>FUND BALANCE - December 31</u>	<u>\$ 1,836,811</u>	<u>\$ 185,468</u>	<u>\$ 2,022,279</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, 2012

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 modified 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 modified 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 modified cash basis of accounting. The modification to cash basis is for accounts payable and accrued expenses. In this modified cash basis of accounting, the Library's revenues are recognized when received rather than when earned, and expenditures are recognized when incurred, rather than when paid. 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. 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, 2012.

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, 2012, 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, 2012 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, 2012 which totaled \$242,614, 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 2011 which were received by the Library in 2012 was as follows:

	<u>Assessed Valuation</u>	<u>Tax Levy (per \$100)</u>
Franklin County	\$ 1,582,960,601	\$.0777
Warren County	517,832,377	.0683
Gasconade County	<u>209,666,053</u>	.0965
Totals	<u>\$ 2,310,459,031</u>	

The receipts of current and delinquent property taxes during the year ended December 31, 2012, aggregated approximately 102.08% of the current assessment computed on the basis of the levy as shown above and adjusted for amounts due back to taxpayers.

5. FIXED ASSETS

Activity for general fixed assets is summarized below:

	<u>December 31, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>December 31, 2012</u>
Land	\$ 472,741	\$ -	\$ -	\$ 472,741
Buildings	2,558,691	16,422	-	2,575,113
Automotive Equipment	169,799	12,883	-	182,682
Automation Equipment	242,096	50,674	-	292,770
Furniture and Fixtures	<u>546,790</u>	<u>6,712</u>	<u>-</u>	<u>553,502</u>
Totals	<u>\$ 3,990,117</u>	<u>\$ 86,691</u>	<u>\$ -</u>	<u>\$ 4,076,808</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 modified 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>
2013	\$ 24,504	\$ 26,400	\$ 6,300
2014	14,294	-	2,625

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, 2012:

Automotive Equipment	\$ 69,225
Automation	137,688
Library Development & Improvement	948,938
Endowment	33,018
Total Committed Balances	<u>\$ 1,188,869</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 \$185,468 as of December 31, 2012, 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 \$9,700 for the year ended December 31, 2012. 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 \$16,284 for the year ended December 31, 2012. 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, 2012, to Washington and Sullivan were \$30,618 and \$2,875, 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, 2012 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, 2012, the Library's accrued compensated absences were as follows:

	<u>Hours</u>	<u>Amount</u>
Sick Leave	4,698	\$ 61,584
Vacation	1,198	18,422
Floating Holidays	473	7,479
Totals	<u>6,369</u>	<u>\$ 87,485</u>

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

12. LONG-TERM DEBT

Long-term debt consisted of the following as of December 31, 2012:

\$160,000 Note Payable; Due in monthly installments of \$1,178 through February, 2021; interest at 6%	<u>\$ 135,318</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 seller of the new property, who in turn, took ownership of the old property. Following is a summary of the payments due as of December 31:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2013	\$ 13,455	\$ 7,882	\$ 21,337
2014	14,285	7,052	21,337
2015	15,166	6,171	21,337
2016	16,085	5,252	21,337
2017	17,093	4,244	21,337
2018-2021	59,234	6,171	65,405
Totals	<u>\$ 135,318</u>	<u>\$ 36,772</u>	<u>\$ 172,090</u>

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

13. 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 June 30th statutorily required contribution rate is 11.3% (General) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the Library are established by state statute.

Annual Pension Cost (APC) and Net Pension Obligation (NPO)

The Library's annual pension cost and net pension obligation for the current year were as follows:

Annual Required Contribution	\$ 83,425
Interest on Net Pension Obligation	4,221
Adjustments to Annual Required Contribution	<u>(3,212)</u>
Annual Pension Cost	\$ 84,434
Actual Contributions	<u>58,898</u>
Increase (Decrease) in NPO	\$ 25,536
NPO Beginning of Year	<u>58,226</u>
NPO End of Year	<u>\$ 83,762</u>

The annual required pension contribution (ARC) was determined as part of the February 28, 2010 and February, 28 2011 annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2012 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, attributed to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% 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 0 years for men and 0 years for women and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 years for men and 0 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 investment 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 as of February 28, 2010 was 30 years for the General Division. The amortization period as of February 28, 2011 was 30 years for the General Division.

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 79,399	73.0%	\$ 21,438
2011	101,937	63.9%	58,226
2012	84,434	69.8%	83,762

Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded (Excess) Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/28/2010	\$ 1,194,303	\$ 1,990,388	\$ 796,085	60%	\$ 654,451	122%
2/28/2011	1,338,543	2,173,506	834,963	62%	664,754	126%
2/28/2012	828,465	1,506,489	678,024	55%	502,867	135%

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, 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.

14. 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.

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, 2012 amounted to \$294,801. This amount is shown as a decrease in local revenue on the accompanying financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

SCENIC REGIONAL LIBRARY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>REVENUES COLLECTED</u>				
Taxes	\$ 1,539,808	\$ 1,560,897	\$ 1,557,795	\$ (3,102)
State Aid	68,059	66,140	75,634	9,494
Earnings on Investments	20,000	20,000	13,430	(6,570)
Donations and Grants	-	5,549	5,825	276
Other	44,000	44,000	43,980	(20)
Total Revenues Collected	<u>\$ 1,671,867</u>	<u>\$ 1,696,586</u>	<u>\$ 1,696,664</u>	<u>\$ 78</u>
<u>EXPENDITURES PAID</u>				
Wages	\$ 761,213	\$ 761,213	\$ 735,477	\$ 25,736
Books	193,000	193,000	193,646	(646)
Reference and Bibliography	5,500	5,500	6,200	(700)
Periodicals	17,500	17,500	17,104	396
Electronic Materials	120,500	120,500	114,432	6,068
Other Materials	81,000	81,000	75,895	5,105
Utilities	66,000	66,000	58,238	7,762
Taxes	61,156	61,156	57,372	3,784
Rent	59,000	59,000	63,237	(4,237)
Insurance	28,000	28,000	29,954	(1,954)
Repairs and Maintenance	40,000	50,000	48,218	1,782
Supplies	40,500	40,500	26,337	14,163
Postage	24,000	24,000	33,217	(9,217)
Employee Health Insurance	165,600	165,600	121,067	44,533
Employee Retirement	64,000	64,000	53,902	10,098
Automotive Expense	18,000	18,000	13,313	4,687
Professional Fees	81,250	70,250	29,018	41,232
Travel and Dues	14,000	14,000	13,695	305
Automation	32,000	43,277	44,751	(1,474)
Miscellaneous	2,600	2,600	3,180	(580)
Capital Outlays	129,000	143,442	79,360	64,082
Programs	20,000	20,000	10,844	9,156
Debt Retirement	21,336	21,336	23,115	(1,779)
Total Expenditures Paid	<u>\$ 2,045,155</u>	<u>\$ 2,069,874</u>	<u>\$ 1,851,572</u>	<u>\$ 218,302</u>
<u>EXCESS OF REVENUES COLLECTED OVER (UNDER) EXPENDITURES PAID</u>				
	<u>\$ (373,288)</u>	<u>\$ (373,288)</u>	<u>\$ (154,908)</u>	<u>\$ 218,380</u>
<u>FUND BALANCE</u> - January 1			<u>1,991,719</u>	
<u>FUND BALANCE</u> - December 31			<u>\$ 1,836,811</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>REVENUES COLLECTED</u>				
Taxes	\$ -	\$ -	\$ -	\$ -
Earnings on Investments	1,000	1,000	431	(569)
Total Revenues Collected	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 431</u>	<u>\$ (569)</u>
<u>EXPENDITURES PAID</u>				
Capital Outlay	\$ -	\$ -	\$ 7,330	\$ (7,330)
Total Expenditures Paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,330</u>	<u>\$ (7,330)</u>
<u>EXCESS OF REVENUES COLLECTED OVER (UNDER) EXPENDITURES PAID</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	\$ (6,899)	<u>\$ (7,899)</u>
<u>FUND BALANCE</u> - January 1			<u>192,367</u>	
<u>FUND BALANCE</u> - December 31			<u>\$ 185,468</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, 2012

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. In August of each year when the tax levies are set for approval, 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 19, 2011, 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.