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## SCENIC REGIONAL LIBRARY

### FINANCIAL REPORT (Audited)

Year Ended December 31, 2014

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# SCENIC REGIONAL LIBRARY

## FINANCIAL REPORT

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

## INDEPENDENT AUDITOR'S REPORT

June 30, 2015

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, 2014, 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, 2014, 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 June 30, 2015 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.

*Nochschild, Bloom + Company LLP*

**CERTIFIED PUBLIC ACCOUNTANTS**

# SCENIC REGIONAL LIBRARY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FOR THE YEAR ENDED DECEMBER 31, 2014

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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, 2014. 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 \$2,317,186. The Library has unrestricted net position of \$2,138,375.
- As of the close of the current fiscal year, the Library's governmental funds reported an ending fund balance of \$2,317,186.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$955,364.

#### 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.

**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 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.

**SCENIC REGIONAL LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**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.

**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.

**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:

	<b>December 31</b>	
	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
Cash and investments	\$ 2,326,947	1,818,410
<b>LIABILITIES</b>		
Payroll taxes payable	9,761	9,177
<b>NET POSITION</b>		
Restricted	178,811	185,620
Unrestricted	2,138,375	1,623,613
Total Net Position	<u>\$ 2,317,186</u>	<u>1,809,233</u>

**SCENIC REGIONAL LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**Governmental activities.** Governmental activities increased the Library's net position by \$507,953. Key elements of this are as follows:

	<b>For The Years Ended December 31</b>	
	<b>2014</b>	<b>2013</b>
<b>REVENUES</b>		
Program revenues:		
Charges for services	\$ 7,315	11,836
Capital grants and contributions	59,639	71,482
General revenues:		
Taxes	2,651,013	1,710,784
State aid	53,032	74,796
Investment income	4,928	8,794
Other	75,662	49,444
Total Revenues	<u>2,851,589</u>	<u>1,927,136</u>
<b>EXPENSES</b>		
Salaries and benefits	1,233,146	1,173,697
Library materials	366,238	371,582
Library operations	505,628	416,641
Capital outlays	217,287	156,926
Debt service	21,337	21,336
Total Expenses	<u>2,343,636</u>	<u>2,140,182</u>
<b>CHANGE IN NET POSITION</b>	507,953	(213,046)
<b>NET POSITION, JANUARY 1</b>	<u>1,809,233</u>	<u>2,022,279</u>
<b>NET POSITION, DECEMBER 31</b>	<u>\$ 2,317,186</u>	<u>1,809,233</u>

**Change in net position.** The increase in net position of \$507,953 was largely attributable to an increase in the tax rates in all three counties.

**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, 2014, the General Fund's unassigned fund balance was \$955,364.

**SCENIC REGIONAL LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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**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 \$738,867 due to conservative budgeting and an increase in the tax rate from 10 to 20 cents.
- Budgeted expenditures exceeded actual by \$142,551 due to the remodel of the administration building not being completed until fiscal year 2015.

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

The Library expects revenues in the General Fund to increase by approximately 138% and expenditures to increase by approximately 135% in 2015.

**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  
304 Hawthorne Drive  
Union, MO 63084

**SCENIC REGIONAL LIBRARY**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**DECEMBER 31, 2014**

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	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and investments	\$ 2,326,947
<b>LIABILITIES</b>	
Payroll taxes payable	<u>9,761</u>
<b>NET POSITION</b>	
Restricted for building	178,811
Unrestricted	<u>2,138,375</u>
Total Net Position	<u><u>\$ 2,317,186</u></u>

**SCENIC REGIONAL LIBRARY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	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	\$ 1,233,146	-	(1,233,146)	
Library materials	366,238	7,315	(358,923)	
Library operations	505,628	-	(505,628)	
Capital outlays	217,287	-	(157,648)	
Debt service	21,337	-	(21,337)	
Total Governmental Activities	<u>\$ 2,343,636</u>	<u>7,315</u>	<u>(2,276,682)</u>	
<b>General Revenues</b>				
Property taxes			2,651,013	
State aid			53,032	
Investment income			4,928	
Miscellaneous			75,662	
Total General Revenues			<u>2,784,635</u>	
<b>CHANGE IN NET POSITION</b>				507,953
NET POSITION, JANUARY 1				<u>1,809,233</u>
<b>NET POSITION, DECEMBER 31</b>				<u>\$ 2,317,186</u>

See notes to financial statements

**SCENIC REGIONAL LIBRARY**  
**BALANCE SHEET - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2014**

	<u>General</u>	<u>Building</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	<u>\$ 2,148,136</u>	<u>178,811</u>	<u>2,326,947</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Payroll taxes payable	<u>\$ 9,761</u>	<u>-</u>	<u>9,761</u>
 <b>Fund Balances</b>			
Restricted for building	-	178,811	178,811
Committed to:			
Automotive equipment	50,000	-	50,000
Automation equipment	54,258	-	54,258
Buildings	1,000,000	-	1,000,000
Furniture/equipment	45,250	-	45,250
Endowment	33,503	-	33,503
Unassigned	955,364	-	955,364
Total Fund Balances	<u>2,138,375</u>	<u>178,811</u>	<u>2,317,186</u>
 Total Liabilities And Fund Balances	<u>\$ 2,148,136</u>	<u>178,811</u>	<u>2,326,947</u>

**SCENIC REGIONAL LIBRARY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Building</u>	<u>Total</u>
<b>REVENUES</b>			
Taxes	\$ 2,651,013	-	2,651,013
State aid	53,032	-	53,032
Book sales	4,790	-	4,790
Grants and donations	88,394	-	88,394
Investment income	4,561	367	4,928
Nonresident fees	2,525	-	2,525
Miscellaneous	46,907	-	46,907
Total Revenues	<u>2,851,222</u>	<u>367</u>	<u>2,851,589</u>
<b>EXPENDITURES</b>			
Current:			
Wages	925,925	-	925,925
Books	156,164	-	156,164
Reference and bibliography	2,551	-	2,551
Periodicals	19,264	-	19,264
Electronic materials	110,008	-	110,008
Other materials	78,251	-	78,251
Utilities	76,041	-	76,041
Taxes	76,471	-	76,471
Rent	59,604	-	59,604
Insurance	27,765	-	27,765
Repairs and maintenance	45,603	-	45,603
Supplies	29,494	-	29,494
Postage	31,516	-	31,516
Employee insurance	156,547	-	156,547
Employee retirement	74,203	-	74,203
Automotive	13,325	-	13,325
Professional fees	19,179	-	19,179
Travel and dues	20,012	-	20,012
Automation	94,013	-	94,013
Miscellaneous	67,825	-	67,825
Programs	21,251	-	21,251
Capital outlay	210,111	7,176	217,287
Debt service:			
Principal	14,431	-	14,431
Interest and other fiscal charges	6,906	-	6,906
Total Expenditures	<u>2,336,460</u>	<u>7,176</u>	<u>2,343,636</u>
<b>NET CHANGE IN FUND BALANCES</b>	514,762	(6,809)	507,953
<b>FUND BALANCES, JANUARY 1</b>	<u>1,623,613</u>	<u>185,620</u>	<u>1,809,233</u>
<b>FUND BALANCES, DECEMBER 31</b>	<u><u>\$ 2,138,375</u></u>	<u><u>178,811</u></u>	<u><u>2,317,186</u></u>

See notes to financial statements \_\_\_\_\_

# SCENIC REGIONAL LIBRARY

## 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.

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

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

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

**Building Fund** -- The Building Fund accounts 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, 2014, which totaled \$241,403, 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 nonexempt 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, 2014</b>	
	<b>Hours</b>	<b>Amount</b>
Sick leave	4,998	\$ 74,449
Vacation	1,314	22,027
Floating holidays	178	2,891
Total	6,490	\$ 99,367

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 2014 assessed valuation and tax rates per \$100 of assessed value:

	<b>Assessed Valuation</b>	<b>Tax Levy (Per \$100)</b>
Franklin County	\$ 1,599,768,827	0.2008
Warren County	543,433,731	0.2008
Gasconade County	220,689,020	0.2008
Total	\$ 2,363,891,578	

**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 \$178,811 as of December 31, 2014, 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, 2014, 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, 2014</b>		
	<b>Balance December 31 2013</b>	<b>Increases</b>	<b>Decreases</b>
			<b>Balance December 31 2014</b>
Land	\$ 472,741	-	-
Construction in progress	-	141,225	-
Buildings	2,575,113	-	-
Automotive equipment	182,682	-	-
Equipment	403,085	25,349	-
Furniture and fixtures	553,502	6,776	-
Total Capital Assets	<u>\$ 4,187,123</u>	<u>173,350</u>	<u>-</u>
			<u>4,360,473</u>

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.

**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 13.3% (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 2014</b>
Annual required contribution (ARC)	\$ 95,860
Interest on NPO	7,632
Adjustment to ARC	(5,808)
APC	97,684
Actual contributions	68,636
Increase in NPO	29,048
NPO, beginning of year	105,268
NPO, End Of Year	<u>\$ 134,316</u>

The ARC was determined as part of the February 29, 2012 and February 28, 2013 annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2014 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%

**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 (UAAL) is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 29, 2012 was 30 years for the General division. The amortization period as of February 28, 2013 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>
2014	\$ 97,684	70.3 %	\$ 134,316
2013	81,990	73.8	105,268
2012	84,434	69.8	83,762

**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 (AAL)</b>	<b>UAAL</b>
2014	\$ 112,322	\$ 1,140,489	\$ 1,028,167
2013	56,091	1,088,439	1,032,348
2012	828,465	1,506,489	678,024

# SCENIC REGIONAL LIBRARY

## NOTES TO FINANCIAL STATEMENTS

### NOTE D - PENSION PLANS (Continued)

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

For The Actuarial Valuation Years Ended February 28/29	Funded Ratio	Annual Covered Payroll	UAAL As A Percentage Of Covered Payroll
2014	10 %	\$ 531,249	194 %
2013	5	518,741	199
2012	55	502,867	135

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.

The accompanying financial statements are prepared on the modified cash basis of accounting. NPO is not included.

### NOTE E - LONG-TERM DEBT

Notes payable consist of the following:

	December 31 2014
Note payable - \$160,000 bearing interest at 6%, payable in monthly installments of \$1,178, including principal and interest, maturing February 2021.	\$107,432

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.

	For The Year Ended December 31, 2014		
	Balance December 31 2013	Additions	Payments
Note payable	\$ 121,863	-	14,431
			107,432

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

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

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

<u>For The Years Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	19,464	1,873	21,337
2020 - 2021	<u>20,796</u>	<u>676</u>	<u>21,472</u>
Total Of Minimum Payments Required	<u>\$ 107,432</u>	<u>20,725</u>	<u>128,157</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 Ending December 31</u>	<u>Hermann</u>	<u>Pacific</u>	<u>Owensville</u>	<u>Total</u>
2015	\$ 24,504	28,800	2,625	55,929
2016	14,294	28,800	-	43,094
2017	-	28,800	-	28,800
2018	<u>-</u>	<u>24,000</u>	<u>-</u>	<u>24,000</u>
Total Of Minimum Payments Required	<u>\$ 38,798</u>	<u>110,400</u>	<u>2,625</u>	<u>151,823</u>

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

# SCENIC REGIONAL LIBRARY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE G - COMMITMENTS

The Library had 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 \$3,397 for the year ended December 31, 2014. The agreement was cancelled by the Library during 2014.

The Library has an agreement under which MOBIUS provides software updates and support to its automated, online book access system. The support agreement amounted to \$10,737 for the year ended December 31, 2014. 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 \$59,052 for the year ended December 31, 2014. 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, 2014, to Washington and Sullivan were \$39,035 and \$2,338, respectively.

The Library also has other agreements in place for automation support, reciprocal lending, and electronic database access, but the total amounts paid during the year ended December 31, 2014 were not material to the financial statements taken as a whole.

### NOTE H - RESTRICTED NET POSITION

The government-wide statement of net position reports \$178,811 in restricted net position, of which all is restricted by enabling legislation.

### NOTE I - SUBSEQUENT EVENTS

A commission order was approved as of December 30, 2014 in all three counties authorizing the consolidation of the Franklin County Library District with the Warren County and Gasconade County Library Districts. The order authorized each county in the consolidated district to have the same rate of taxation on assessed valuation. The effective date of the consolidation and establishing of the district shall be July 1, 2015. In addition, in accordance with Missouri Revised Statutes Section 182.645.1, the Library will be changing its fiscal year to July 1 through June 30 effective July 1, 2015.

The Library purchased two vehicles totaling \$51,500 on March 19, 2015.

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

**NOTE J - FUTURE ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions*, will require the Library to record UAAL on the government-wide statement of net position. UAAL equals the difference between the total pension liability and the value of the assets set aside in a pension plan to pay benefits. GASB 68 may also require changes to the projection of benefit payments and the rate used to discount the projected benefit payments. GASB 68 will be effective for the Library for the year ending December 31, 2015.

**NOTE K - RETROACTIVE RESTATEMENT OF FUND BALANCE**

The previously stated fund balance has been retroactively restated as follows:

	<u>General</u>	<u>Building</u>	<u>Total</u>
Fund balance, December 31, 2013, as reported previously	\$1,633,242	175,991	1,809,233
Restatement for due to/from	<u>(9,629)</u>	<u>9,629</u>	<u>-</u>
Fund Balance, December 31, 2013, As Restated	<u>\$1,623,613</u>	<u>185,620</u>	<u>1,809,233</u>

**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, 2014**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>				
Taxes	\$ 1,906,925	1,912,146	2,651,013	738,867
State aid	74,553	40,776	53,032	12,256
Grants and donations	5,000	81,200	88,394	7,194
Investment income	3,000	3,000	4,561	1,561
Other	40,000	40,000	54,222	14,222
Total Revenues	<u>2,029,478</u>	<u>2,077,122</u>	<u>2,851,222</u>	<u>774,100</u>
<b>EXPENDITURES</b>				
Current:				
Wages	943,123	969,044	925,925	(43,119)
Books	158,593	151,593	156,164	4,571
Reference and bibliography	4,000	4,000	2,551	(1,449)
Periodicals	16,750	18,000	19,264	1,264
Electronic materials	107,100	116,000	110,008	(5,992)
Other materials	73,000	73,500	78,251	4,751
Utilities	71,200	71,200	76,041	4,841
Taxes	75,073	77,048	76,471	(577)
Rent	59,600	59,600	59,604	4
Insurance	27,000	27,500	27,765	265
Repairs and maintenance	55,000	55,000	45,603	(9,397)
Supplies	35,448	32,500	29,494	(3,006)
Postage	6,000	11,000	31,516	20,516
Employee insurance	155,822	160,831	156,547	(4,284)
Employee retirement	75,361	74,134	74,203	69
Automotive	17,500	14,000	13,325	(675)
Professional fees	38,000	58,000	19,179	(38,821)
Travel and dues	18,000	22,000	20,012	(1,988)
Automation	34,000	92,500	94,013	1,513
Miscellaneous	7,000	67,025	67,825	800
Programs	22,000	24,500	21,251	(3,249)
Capital outlay	30,572	278,700	210,111	(68,589)
Debt service:				
Principal	14,430	14,430	14,431	1
Interest	6,906	6,906	6,906	-
Total Expenditures	<u>2,051,478</u>	<u>2,479,011</u>	<u>2,336,460</u>	<u>(142,551)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (22,000)</u>	<u>(401,889)</u>	514,762	<u>916,651</u>
FUND BALANCE, JANUARY 1			<u>1,623,613</u>	
FUND BALANCE, DECEMBER 31			<u>\$ 2,138,375</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, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>				
Investment income	\$ -	-	367	367
<b>EXPENDITURES</b>				
Capital outlay	-	7,500	7,176	(324)
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>(7,500)</u>	(6,809)	<u>691</u>
FUND BALANCE, JANUARY 1			<u>185,620</u>	
FUND BALANCE, DECEMBER 31			<u>\$ 178,811</u>	

**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, 2014**

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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.