
**SCENIC REGIONAL
LIBRARY DISTRICT**

FINANCIAL REPORT
(Audited)

For The Eighteen Months
Ended June 30, 2016

SCENIC REGIONAL LIBRARY DISTRICT
FINANCIAL REPORT

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

INDEPENDENT AUDITOR'S REPORT

December 13, 2016

Board of Trustees
SCENIC REGIONAL LIBRARY DISTRICT

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 DISTRICT** (the District), as of and for the eighteen months ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District'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.

- 15450 South Outer Forty Road, Suite 135, Chesterfield, Missouri 63017-2066, 636-532-9525, Fax 636-532-9055
- 1000 Washington Square, P. O. Box 1457, Washington, Missouri 63090-8457, 636-239-4785, Fax 636-239-5448

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 District'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 purpose of expressing an opinion on the effectiveness of the District'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 District as of June 30, 2016, and the respective changes in modified cash basis financial position thereof for the eighteen months ended in accordance with the modified cash basis of accounting described in Note A-3.

Emphasis of Matter

A commission order was approved as of December 31, 2014 in Franklin, Gasconade, and Warren counties authorizing the consolidation of the Franklin County Library District with the Warren County and Gasconade County Library Districts. In accordance with Missouri Revised Statutes Section 182.645.1, the District changed its fiscal year end to June 30.

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 District'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 December 13, 2016 on our consideration of the District'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 District's internal control over financial reporting and compliance.

Nochschild, Bloom + Company LLP

CERTIFIED PUBLIC ACCOUNTANTS

SCENIC REGIONAL LIBRARY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE EIGHTEEN MONTHS ENDED JUNE 30, 2016

As management of the Scenic Regional Library District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the eighteen months ended June 30, 2016. We encourage readers to consider the information presented here along with the District'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 District exceeded its liabilities for the most recent fiscal year by \$5,013,438. The District has unrestricted net position of \$4,927,829.
- As of the close of the current fiscal year, the District's governmental funds reported an ending fund balance of \$5,013,438.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,862,633.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the District's basic financial statements. The District'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 District'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 District'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 District is improving or deteriorating.

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

The government-wide financial statements distinguish functions of the District 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 District 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 District, 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 District are governmental funds. It should be noted that the District does not have any fiduciary or proprietary funds.

**SCENIC REGIONAL LIBRARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE EIGHTEEN MONTHS ENDED JUNE 30, 2016**

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 District 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 District 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, the budgetary comparison and pension 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 DISTRICT AS A WHOLE

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

	June 30 2016	December 31 2014
ASSETS		
Cash and investments	\$ 5,035,869	2,326,947
LIABILITIES		
Payroll taxes payable	22,431	9,761
NET POSITION		
Restricted	85,609	178,811
Unrestricted	4,927,829	2,138,375
Total Net Position	\$ 5,013,438	2,317,186

**SCENIC REGIONAL LIBRARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE EIGHTEEN MONTHS ENDED JUNE 30, 2016**

Governmental activities. Governmental activities increased the District's net position by \$2,696,252. Key elements of this are as follows:

	For The Eighteen Months Ended June 30 2016	For The Year Ended December 31 2014
REVENUES		
Program revenues:		
Charges for services	\$ 29,038	7,315
Capital grants and contributions	73,623	59,639
General revenues:		
Taxes	8,353,976	2,651,013
State aid	71,965	53,032
Investment income	24,700	4,928
Insurance recoveries	30,016	-
Other	121,426	75,662
Total Revenues	8,704,744	2,851,589
EXPENSES		
Salaries and benefits	2,675,240	1,233,146
Library materials	1,185,343	366,238
Library operations	1,068,488	505,628
Capital outlays	1,153,566	217,287
Debt service	32,005	21,337
Total Expenses	6,114,642	2,343,636
CHANGE IN NET POSITION	2,590,102	507,953
SPECIAL ITEM - MERGER	106,150	-
NET POSITION, BEGINNING OF PERIOD	2,317,186	1,809,233
NET POSITION, END OF PERIOD	\$5,013,438	2,317,186

Change in net position. The increase in net position of \$2,696,252 was largely attributable to an increase in tax collections in the current year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Governmental funds. The focus of the District's governmental funds is to provide information on inflows and balances of available expendable resources. Such information is useful in assessing the District'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.

**SCENIC REGIONAL LIBRARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE EIGHTEEN MONTHS ENDED JUNE 30, 2016**

At June 30, 2016, the General Fund's unassigned fund balance was \$3,862,633.

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 exceeded budgeted revenue by \$3,778,429 due to conservative budgeting and due to the budget being based on twelve months verses eighteen months.
- Actual expenditures exceeded budget by \$1,124,677 due to the budget being based on twelve months verses eighteen months.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District expects revenues and expenditures in the General Fund to stay about the same in 2017.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District'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 District
304 Hawthorne Drive
Union, MO 63084

SCENIC REGIONAL LIBRARY DISTRICT
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2016

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 5,035,869
LIABILITIES	
Payroll taxes payable	<u>22,431</u>
NET POSITION	
Restricted for building	85,609
Unrestricted	<u>4,927,829</u>
Total Net Position	<u><u>\$ 5,013,438</u></u>

SCENIC REGIONAL LIBRARY DISTRICT
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE EIGHTEEN MONTHS ENDED JUNE 30, 2016

		Program Revenues		Net Revenues (Expenses) And Change In Net Position
FUNCTIONS/PROGRAMS	Expenses	Charges For Services	Capital Grants And Contributions	Governmental Activities
Governmental Activities				
Salaries and benefits	\$ 2,675,240	-	-	(2,675,240)
Library materials	1,185,343	29,038	-	(1,156,305)
Library operations	1,068,488	-	-	(1,068,488)
Capital outlay	1,153,566	-	73,623	(1,079,943)
Debt service	32,005	-	-	(32,005)
Total Governmental Activities	\$ 6,114,642	29,038	73,623	(6,011,981)
General Revenues				
Taxes				8,353,976
State aid				71,965
Investment income				24,700
Insurance recoveries				30,016
Miscellaneous				121,426
Total General Revenues				8,602,083
CHANGE IN NET POSITION				2,590,102
SPECIAL ITEM - MERGER				106,150
NET POSITION, BEGINNING OF PERIOD				2,317,186
NET POSITION, END OF PERIOD				\$ 5,013,438

See notes to financial statements

SCENIC REGIONAL LIBRARY DISTRICT
BALANCE SHEET - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
JUNE 30, 2016

	General	Building	Total
ASSETS			
Cash and investments	\$ 4,950,260	85,609	5,035,869
 LIABILITIES AND FUND BALANCES			
Liabilities			
Payroll taxes payable	\$ 22,431	-	22,431
Fund Balances			
Restricted for building	-	85,609	85,609
Committed to:			
Building improvements	8,381	-	8,381
Automation equipment	13,000	-	13,000
Buildings	1,000,000	-	1,000,000
Furniture/equipment	8,000	-	8,000
Endowment	35,815	-	35,815
Unassigned	3,862,633	-	3,862,633
Total Fund Balances	4,927,829	85,609	5,013,438
Total Liabilities And Fund Balances	\$ 4,950,260	85,609	5,035,869

SCENIC REGIONAL LIBRARY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
FOR THE EIGHTEEN MONTHS ENDED JUNE 30, 2016

	General	Building	Total
REVENUES			
Taxes	\$ 8,353,976	-	8,353,976
State aid	71,965	-	71,965
Book sales	29,038	-	29,038
Grants and donations	76,348	-	76,348
Investment income	24,348	352	24,700
Nonresident fees	4,700	-	4,700
Miscellaneous	114,001	-	114,001
Total Revenues	8,674,376	352	8,674,728
EXPENDITURES			
Current:			
Wages	2,001,239	-	2,001,239
Books	535,350	-	535,350
Reference and bibliography	942	-	942
Periodicals	32,032	-	32,032
Electronic materials	404,989	-	404,989
Other materials	347,711	-	347,711
Utilities	128,942	-	128,942
Taxes	160,172	-	160,172
Rent	89,731	-	89,731
Insurance	61,777	-	61,777
Repairs and maintenance	67,250	-	67,250
Supplies	59,945	-	59,945
Postage	93,537	-	93,537
Employee insurance	339,314	-	339,314
Employee retirement	295,744	-	295,744
Professional development	28,052	-	28,052
Automotive	21,764	-	21,764
Professional fees	20,407	-	20,407
Travel and dues	26,686	-	26,686
Automation	101,527	-	101,527
Miscellaneous	50,245	-	50,245
Programs	61,715	-	61,715
Capital outlay	1,060,012	93,554	1,153,566
Debt service:			
Principal	23,338	-	23,338
Interest and other fiscal charges	8,667	-	8,667
Total Expenditures	6,021,088	93,554	6,114,642
REVENUES OVER (UNDER) EXPENDITURES	2,653,288	(93,202)	2,560,086
OTHER FINANCING SOURCES			
Insurance recoveries	30,016	-	30,016
SPECIAL ITEM - MERGER	106,150	-	106,150
NET CHANGE IN FUND BALANCES	2,789,454	(93,202)	2,696,252
FUND BALANCES, BEGINNING OF PERIOD	2,138,375	178,811	2,317,186
FUND BALANCES, END OF PERIOD	\$ 4,927,829	85,609	5,013,438

See notes to financial statements

SCENIC REGIONAL LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The **SCENIC REGIONAL LIBRARY DISTRICT** (the District) was formed on May 20, 1959 by a cooperative agreement between the Franklin, Gasconade, and Warren County Library Districts. A commission order was approved to establish the District as of December 31, 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 to have the same rate of taxation on assessed valuation. In addition, in accordance with Missouri Revised Statutes Section 182.645.1, the District changed its fiscal year end to June 30.

The District operates facilities in the cities of Warrenton, Hermann, Owensville, Pacific, New Haven, St. Clair, Sullivan, and Union, Missouri. The Union facility also serves as headquarters for the District.

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

1. Reporting Entity

The financial statements of the District include the financial activities of the District and any component units, entities which are financially accountable to the District. The District 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.

SCENIC REGIONAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 District 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 District 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 District reports the following major governmental funds:

SCENIC REGIONAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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 District 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 June 30, 2016, which totaled \$242,011, is not included in the accompanying financial statements.

6. Compensated Absences

The District 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 District 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.

The District's accrued compensated absences were as follows:

SCENIC REGIONAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Compensated Absences (Continued)

	June 30, 2016	
	<u>Hours</u>	<u>Amount</u>
Sick leave	5,276	\$ 89,685
Vacation	<u>2,322</u>	<u>46,730</u>
Total	<u>7,598</u>	<u>\$ 136,415</u>

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. Sullivan joined the District effective October 1, 2016, see Note I.

The following is a summary of the 2015 assessed valuation and tax rates per \$100 of assessed value:

	<u>Assessed Valuation</u>	<u>Tax Levy (Per \$100)</u>
Franklin County	\$ 1,563,361,462	0.2008
Warren County	551,451,099	0.2008
Gasconade County	229,198,205	0.2008
Gasconade County - Sullivan	13,129,719	0.2021
Franklin County - Sullivan	<u>62,980,985</u>	0.2021
Total	<u>\$ 2,420,121,470</u>	

8. Risk Management

The District 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 District 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.

SCENIC REGIONAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

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 District 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 District intends to use for a specific purpose; as determined by the applicable District 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 District 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 certificates of participation for the purpose of constructing a library in Warren County. The unspent portion of these certificates and related taxes received, which amounted to \$85,609 as of June 30, 2016, is included as restricted for building on the accompanying financial statements.

12. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Missouri Local Government Employees Retirement System (LAGERS) and

SCENIC REGIONAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. Pensions (Continued)

additions to/deductions from LAGERS' fiduciary net position have been determined on the same basis as they are reported by LAGERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. LAGERS' investments are reported at fair value.

Because of the accounting method used, the District does not record the net pension liability, deferred outflows of resources, or deferred inflows of resources for the pension plan.

NOTE B - CASH

Bank Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's bank deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. The District's bank deposits are required by state law to be secured by the deposit of certain securities specified at RSMo 30.270 with the District or trustee institution. The value of the securities must amount to the total of the District's cash not insured by the Federal Deposit Insurance Corporation.

As of June 30, 2016, the District's bank balances were entirely secured or collateralized with securities held by the District or by its agent in the District's name.

NOTE C - CAPITAL ASSETS

Capital asset activity was as follows:

	For The Eighteen Months Ended June 30, 2016			
	Balance			Balance
	December 31	Increases	Decreases	June 30
	2014	Increases	Decreases	2016
Land	\$ 472,741	673,908	-	1,146,649
Construction in progress	141,225	262,203	169,234	234,194
Buildings	2,575,113	235,357	-	2,810,470
Automotive equipment	182,682	93,500	121,564	154,618
Equipment	428,434	51,073	-	479,507
Furniture and fixtures	560,278	7,445	-	567,723
	\$ 4,360,473	1,323,486	290,798	5,393,161
Total Capital Assets	\$ 4,360,473	1,323,486	290,798	5,393,161

SCENIC REGIONAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE C - CAPITAL ASSETS (Continued)

Capital assets are stated at cost and are defined as assets with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets do not include the library book collection and are not depreciated. The accompanying financial statements are prepared on the modified cash basis of accounting. Therefore, capital assets are not included.

NOTE D - PENSION PLANS

Plan Description

The District's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. The District participates in the LAGERS. LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with 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 is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS' Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS' website at www.molagers.org.

Benefits Provided

LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 and receive a reduced allowance.

	<u>2016</u> <u>Valuation</u>
Benefit multiplier	2%
Final average salary	5 years
Member contributions	4%

Benefit terms provide for annual post retirement adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year.

SCENIC REGIONAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE D - PENSION PLANS (Continued)

Employees Covered by Benefit Terms

At June 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	2
Active employees	<u>24</u>
Total	<u>38</u>

Contributions

The District is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the employer contribute 4% to the plan. The District contribution rate is 14.3% of annual covered payroll.

Net Pension Liability

The District's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 29, 2016.

Actuarial Assumptions

The total pension liability in the February 29, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25% wage inflation; 2.5% price inflation
Salary increase	3.25% to 6.55% including wage inflation
Investment rate of return	7.25%, net of investment and administrative expenses

The healthy retiree mortality tables for post-retirement mortality were RP-2014 Healthy Annuitant mortality tables for males and females. The disabled retiree mortality tables for post-retirement mortality were the RP-2014 disabled mortality tables for males and females. The pre-retirement mortality tables used were the RP-2014 employees' mortality tables for males and females.

Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The actuarial assumptions used in the February 29, 2016 valuation were based on the results of an actuarial experience study for the period March 1, 2010 through February 28, 2015.

SCENIC REGIONAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE D - PENSION PLANS (Continued)

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate Of Return</u>
Equity	43.00%	5.00%
Fixed income	26.00	3.00
Real assets	21.00	3.25
Strategic Assets	10.00	5.60

Discount Rate

The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

SCENIC REGIONAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE D - PENSION PLANS (Continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 3,842,547	3,027,395	815,152
Changes for the year			
Service cost	88,333	-	88,333
Interest	273,154	-	273,154
Difference between expected and actual experience	87,487	-	87,487
Changes of assumptions	173,758	-	173,758
Contributions - employer	-	131,712	(131,712)
Contributions - employee	-	35,561	(35,561)
Net investment income	-	(9,958)	9,958
Benefit payments, including refunds	(240,799)	(240,799)	-
Administrative expense	-	(3,281)	3,281
Other	-	23,469	(23,469)
Net Changes	<u>381,933</u>	<u>(63,296)</u>	<u>445,229</u>
Balances at June 30, 2016	<u>\$ 4,224,480</u>	<u>2,964,099</u>	<u>1,260,381</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the employer, calculated using the discount rate of 7.25%, as well as what the employer's net pension liability would be using a discount rate that is 1% point lower (6.25%) or 1% point higher (8.25%) than the current rate.

	<u>1% Decrease</u>	<u>Current Single Discount Rate Assumption</u>	<u>1% Increase</u>
Net pension liability	\$1,765,730	1,260,381	833,382

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the District's actuarially determined pension expense was \$223,129. The reported deferred outflows and inflows of resources are related to pensions from the following sources:

SCENIC REGIONAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE D - PENSION PLANS (Continued)

	Outflows	Inflows	Net Outflows
Differences in experience	\$ 67,581	(4,422)	63,159
Assumption changes	134,222		134,222
Net difference between projected and actual earnings on pension plan investments	279,242	-	279,242
Total	\$ 481,045	(4,422)	476,623

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For The Years Ending June 30			
2017			\$ 134,977
2018			135,307
2019			137,354
2020			68,985
Total			\$ 476,623

Because of the accounting method used, the City does not record the net pension asset, deferred outflows of resources, or deferred inflows of resources for the pension plan.

Payable to the Pension Plan

At June 30, 2016, the District had no outstanding amounts of contributions to the pension plan required for the year ended June 30, 2016.

NOTE E - LONG-TERM DEBT

Notes payable consist of the following:

	June 30 2016
Note payable - \$160,000 bearing interest at 6%, payable in monthly installments of \$1,178, including principal and interest, maturing February 2021.	\$ 84,094

SCENIC REGIONAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE E - LONG-TERM DEBT (Continued)

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 District 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 Eighteen Months Ended June 30, 2016			
	Balance			Balance
	December 31	Additions	Payments	June 30
	2014			2016
Note payable	\$ 107,432	-	23,338	84,094

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

For The Years Ending June 30	Principal	Interest	Total
2017	\$ 16,755	4,582	21,337
2018	17,788	3,549	21,337
2019	18,885	2,452	21,337
2020	20,047	1,320	21,367
2021	10,619	185	10,804
Total Of Minimum Payments Required	\$ 84,094	12,088	96,182

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

NOTE F - LEASES

The District leases its facilities under various lease terms. Future rental payments under these leases to expiration are as follows:

SCENIC REGIONAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE F - LEASES (Continued)

For The Years Ending June 30	Pacific	Owensville	Sullivan	Total
2017	\$ 28,800	6,600	9,000	44,400
2018	24,000	6,600	9,000	39,600
2019	-	-	9,000	9,000
2020	-	-	2,250	2,250
Total Of Minimum Payments Required	<u>\$ 52,800</u>	<u>13,200</u>	<u>29,250</u>	<u>95,250</u>

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

NOTE G - COMMITMENTS

The District has an agreement under which MOBIUS provides software updates and support to its automated, online book access system. The support agreement amounted to \$22,643 for the eighteen months ended June 30, 2016. The agreement is in effect until cancelled by either party.

The District has an agreement under which the University of Missouri system provides internet connectivity, technical support, and training to the District. The agreement amounted to \$31,483 for the eighteen months ended June 30, 2016. The agreement is in effect until cancelled by either party.

The District also entered a reciprocal lending agreement with the Washington Municipal Library and the Sullivan Municipal Library District, under which the District 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 eighteen months ended June 30, 2016, to Washington and Sullivan were \$74,520 and \$2,086, respectively.

The District also has other agreements in place for automation support, reciprocal lending, and electronic database access, but the total amounts paid during the eighteen months ended June 30, 2016 were not material to the financial statements taken as a whole.

NOTE H - RESTRICTED NET POSITION

The government-wide statement of net position reports \$85,609 in restricted net position, of which all is restricted by enabling legislation.

NOTE I - SPECIAL ITEM - MERGER

Effective October 1, 2015, the Sullivan Library District merged with the District. This resulted in an increase to the District's net assets of \$106,150.

SUPPLEMENTAL INFORMATION SECTION

SCENIC REGIONAL LIBRARY DISTRICT
SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES,
EXPENDITURES, AND CHANGE IN FUND BALANCE -
MODIFIED CASH BASIS - BUDGET AND ACTUAL - GENERAL FUND
FOR THE EIGHTEEN MONTHS ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Over (Under) Budget
REVENUES				
Taxes	\$ 4,758,795	4,825,565	8,353,976	3,528,411
State aid	-	-	71,965	71,965
Grants and donations	-	19,382	76,348	56,966
Investment income	6,000	5,500	24,348	18,848
Other	65,000	45,500	147,739	102,239
Total Revenues	4,829,795	4,895,947	8,674,376	3,778,429
EXPENDITURES				
Current:				
Wages	1,657,500	1,732,003	2,001,239	269,236
Books	409,795	429,924	535,350	105,426
Reference and bibliography	4,000	4,000	942	(3,058)
Periodicals	18,000	18,000	32,032	14,032
Electronic materials	240,855	256,000	404,989	148,989
Other materials	175,855	172,308	347,711	175,403
Utilities	98,600	95,000	128,942	33,942
Taxes	129,646	138,269	160,172	21,903
Rent	60,500	60,500	89,731	29,231
Insurance	36,000	40,000	61,777	21,777
Repairs and maintenance	60,000	55,000	67,250	12,250
Supplies	40,000	46,000	59,945	13,945
Postage	64,750	86,000	93,537	7,537
Employee insurance	259,980	173,017	339,314	166,297
Employee retirement	143,545	251,198	295,744	44,546
Professional development	-	19,000	28,052	9,052
Automotive	22,250	22,000	21,764	(236)
Professional fees	-	-	20,407	20,407
Travel and dues	39,000	18,000	26,686	8,686
Automation	96,175	110,000	101,527	(8,473)
Miscellaneous	34,500	44,000	50,245	6,245
Programs	68,000	58,500	61,715	3,215
Capital outlay	1,149,508	1,046,356	1,060,012	13,656
Debt service:				
Principal	14,430	14,430	23,338	8,908
Interest	6,906	6,906	8,667	1,761
Total Expenditures	4,829,795	4,896,411	6,021,088	1,124,677
REVENUES OVER (UNDER) EXPENDITURES	-	(464)	2,653,288	2,653,752
OTHER FINANCING SOURCES				
Insurance recoveries	-	-	30,016	30,016
SPECIAL ITEM - MERGER	-	-	106,150	106,150
NET CHANGE IN FUND BALANCE	\$ -	(464)	2,789,454	2,789,918
FUND BALANCE, BEGINNING OF PERIOD			2,138,375	
FUND BALANCE, END OF PERIOD			\$ 4,927,829	

**SCENIC REGIONAL LIBRARY DISTRICT
SUPPLEMENTAL INFORMATION - NOTES TO SCHEDULES OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL
FOR THE EIGHTEEN MONTHS ENDED JUNE 30, 2016**

Budgetary Data

The District 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 meetings are conducted 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 District prepares its budget for the General Fund on the modified cash basis of accounting.
- e. The Board of Trustees may authorize revisions. All appropriations not spent lapse at fiscal year-end.
- f. During the year the Board of Trustees may authorize supplemental appropriations to the budget.

SCENIC REGIONAL LIBRARY DISTRICT
SUPPLEMENTAL INFORMATION - SCHEDULE OF CHANGES
IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEARS ENDED JUNE 30

	2016	2015
Total Pension Liability		
Service cost	\$ 88,333	70,804
Interest on the total pension liability	273,154	265,163
Difference between expected and actual experience	87,487	(9,174)
Changes of assumptions	173,758	-
Benefit payments, including refunds	(240,799)	(210,094)
Net Change In Total Pension Liability	381,933	116,699
Total Pension Liability Beginning	3,842,547	3,725,848
Total Pension Liability (a)	\$ 4,224,480	3,842,547
 Plan Fiduciary Net Position		
Contributions - employer	\$ 131,712	87,255
Contributions - employee	35,561	25,193
Pension plan net investment income	(9,958)	61,127
Benefit payments, including refunds	(240,799)	(210,094)
Administrative expense	(3,281)	(3,355)
Other	23,469	(118,173)
Net Change In Plan Fiduciary Net Position	(63,296)	(158,047)
Plan Fiduciary Net Position Beginning	3,027,395	3,185,442
Plan Fiduciary Net Position Ending (b)	\$ 2,964,099	3,027,395
 Net Pension Liability (a-b)	\$ 1,260,381	815,152
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.16 %	78.79
 Covered Employee Payroll	\$ 895,239	597,692
 Net Pension Liability as a Percentage of Covered Employee Payroll	140.79 %	136.38

Note: Information is not available for fiscal years prior to 2015.

SCENIC REGIONAL LIBRARY DISTRICT
SUPPLEMENTAL INFORMATION - SCHEDULE OF PENSION CONTRIBUTIONS
LAST TEN FISCAL YEARS

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined pension contribution	\$ 206,122	148,146	108,273	85,458	88,220	104,690	78,899	53,240	56,196	59,068
Contributions in relation to the actuarially determined contribution	131,712	87,255	68,636	60,484	58,587	65,149	57,957	53,240	56,196	59,068
Contribution Deficiency (Excess)	<u>\$ 74,410</u>	<u>60,891</u>	<u>39,637</u>	<u>24,974</u>	<u>29,633</u>	<u>39,541</u>	<u>20,942</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered Employee Payroll	\$ 889,038	629,835	535,425	511,386	545,961	664,676	658,230	588,732	551,036	552,224
Contributions as a Percentage of Covered Employee Payroll	14.82 %	13.85	12.82	11.83	10.73	9.80	8.80	9.04	10.20	10.70

Notes to schedule:

Valuation date:

Actuarially determined contribution rates are calculated as of February 29, 2016 prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal and modified terminal funding
Amortization method	Level percent of payroll, closed
Remaining amortization period	Multiple bases from 13 to 18 years
Asset valuation method	5 years smoothed market; 20% corridor
Inflation	3.25% wage inflation; 2.5% price inflation
Salary increases	3.25% to 6.55%, including wage inflation
Investment rate of return	7.25%, net of investment and administrative expenses
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	The healthy retiree mortality tables for post-retirement mortality were the RP-2014 Healthy Annuitant mortality tables for males and females. The disabled retiree mortality tables for post-retirement mortality were the RP-2014 disabled mortality tables for males and females. The pre-retirement mortality tables used were the RP-2014 employees' mortality tables for males and females. Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Other information:

New assumptions adopted based on the 5-year experience study for the period March 2010 through February 28, 2015.

There were no benefit changes during the year.