

POPLAR BLUFF MUNICIPAL LIBRARY

FINANCIAL STATEMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AND  
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2013

Table of Contents

	<u>Pages</u>
MANAGEMENT'S DISCUSSION AND ANALYSIS	i-v
INDEPENDENT AUDITORS' REPORT	1-2
BASIC FINANCIAL STATEMENTS:	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position – Modified Cash Basis	3
Statement of Activities – Modified Cash Basis	4
<i>Fund Financial Statements:</i>	
Balance Sheet – Modified Cash Basis	5
Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis	6
Notes to Basic Financial Statements	7-13
OTHER INFORMATION:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Modified Cash Basis – General Fund	14
Notes to Budgetary Comparison Information	15
ADDITIONAL SUPPLEMENTARY INFORMATION:	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	16-17

## **Poplar Bluff Municipal Library District Management's Discussion and Analysis**

The Poplar Bluff Municipal Library District's management offers readers of the financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal year ended December 31, 2013. Please read this MD&A in conjunction with the Library's Financial Statements, which follow.

### **Financial Highlights**

1. The Library, a political subdivision, began operations January 1, 2013 independent of the City of Poplar Bluff and is responsible for all financial operations related to the library including liability and property insurance, health benefits, worker's compensation, and bonding.
2. The Library is funded solely by a ¼ cent sales tax approved by the voters of the district on June 5, 2012.
3. The Library's property tax rate was set to zero and no property tax was collected beginning with the 2012 fiscal year.
4. Library management expended efforts in the development of policies and procedures affecting payroll, purchasing, insurance, travel, and personnel and received Library Board of Trustees approval for these policies.
5. A wireless network was upgraded and telephones were changed over to VOIP.
6. Staffing was increased to cover personnel management, financials, and building maintenance in response to the library's separation from the City of Poplar Bluff.
7. Fiscal Year 2013 ended with an unassigned cash balance of \$259,467 with an additional \$150,261 set aside in reserves.

### **Overview of the Financial Statements**

This annual report includes this management's discussion and analysis report, the independent auditor's report and the basic financial statements of the Library. The financial statements include notes explaining in more detail information in the financial statements.

### **Required Financial Statements**

As 2013 is the first year of the Library's operations independent of the City of Poplar Bluff and funding under sales tax rather than property tax, the Library's financial statements are summarized for the year 2013 only. In addition, the Library is unique in Missouri and is the only library funded solely by sales tax. There is no historical data available for the library under this model. This analysis includes a summarized fund-type information based upon a current financial resource basis, government wide, and the fund financial statements. The government-wide financial statements provide both limited long-term and short-term information about the Library's overall financial status. The fund financial statements focus on the current operational activity of the Library, reporting the Library's operations in more detail than the government-wide statements. Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of future comparisons, and enhance the Library's accountability.

### **Government-Wide Statements**

The government-wide statements report information about the Library as a whole. The Statement of Net Assets presents information on the Library's assets and liabilities. The Statement of Activities reports how the Library's net assets changed during the most recent fiscal year. These statements include all assets and liabilities using the modified cash basis of accounting. Only the current year's revenues and expenses are taken into account.

These two statements report the net assets of the Library and the changes in them—a means of measuring the Library’s financial position. Over time, increases or decreases in the Library’s net assets are one indicator of whether the Library is doing better or worse financially. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth and new or changed government legislation.

In the Statement of Net Assets and the Statement of Activities, we look at the Library’s overall activity.

Governmental activities – All of the Library’s basic services are reported here, including sales tax. Grants and other income finance most of these activities.

The following is summary of the Statement of Net Position on the modified cash basis of accounting as of December 31, 2013 and 2012:

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
Assets:		
Cash and Cash Equivalents	<u>\$ 409,728</u>	<u>\$ 81,181</u>
Total Assets	<u>409,728</u>	<u>81,181</u>
Liabilities:		
Accrued payroll withholdings	<u>12,447</u>	<u>0</u>
Total Liabilities	<u>12,447</u>	<u>0</u>
Net Position:		
Unrestricted	<u>397,281</u>	<u>81,181</u>
Total Net Position	<u>\$ 397,281</u>	<u>\$ 81,181</u>

### **Fund Financial Statements**

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The focus is now on the Library’s funds. The fund financial statements provide more information about the Library’s funds and current year details of operations.

The Library’s fund statement encompasses the activity of the general fund. The general fund is the primary and only operating fund of the Library. It accounts for financial resources used for general types of operations. This statement offers a short-term view of the current year.

## Financial Analysis of the Library as a Whole

Below is an analysis of the statement of activities for the year 2013.

### STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

<b>Program Expenses:</b>	
Library services:	
Personnel	\$ 493,068
Operating Expenses	223,085
Library Materials	84,696
Capital Outlay	4,496
<b>Total Program Expenses</b>	<b>805,345</b>
<b>Program Revenues:</b>	
Patron Services	27,286
State Aid & Grants	12,785
Gifts and Contributions	15,883
<b>Net Program Revenues</b>	<b>55,954</b>
<b>Net Program Expenses</b>	<b>(749,391)</b>
<b>General Revenues:</b>	
Quarter-Cent Sales Tax	1,063,996
Interest	1,495
<b>Total General Revenues</b>	<b>1,065,491</b>
<b>Increase in Net Position</b>	<b>316,100</b>
<b>Net Position:</b>	
Beginning of the year	81,181
End of year	\$ 397,281

The Library's main source of revenue is a ¼ cent sales tax collected within the city limits of Poplar Bluff, MO. This accounts for 94.9% of the Library's total revenue. Other income sources included grants, donations, state aid, fines and fees. The personnel expense represents 61.2% of total expenditures, while the state average is 61.4%. Personnel expenditures increased by 27.4% over 2012 when the library finances were managed by the City of Poplar Bluff. This increase included the addition of two full time staff, one part-time staff, health and worker's compensation benefits, payment to LAGERS (Local Area Government Employee Retirement System), and increase to a 40 hour work week from 35 for full-time staff.

## **Capital Asset Activity**

Capital asset activity included the replacement of the west Library entrance doors, revamping the main desk adding a pass-through on the south side, shelving in fiction and non-fiction, and conversion of a maintenance closet into an office. The VOIP phone system was installed and a wireless network was upgraded.

## **Budget Highlights**

The Library adopts a general budget in the November Board meeting after it has been presented in October for discussion. The budget is developed by the library's full-time staff for presentation to the Board. The Director meets individually and collectively with staff, Assistant Director, Children's and Youth Librarian, Collection Development Specialist, Public Services Librarian, Emerging Technologies Administrator, Building Administrator, and Business Services Associate. Each staff member presents their budget. The budget is developed into a balanced budget incorporating the staff's individual and library goals. Included in the budget is a ten percent reserve not including carryovers from the previous year. The budget is approved by the Board in a Roll Call vote.

The budget is amended twice during the year, March and October. This gives the opportunity to track spending and to modify the budget as necessary to cover any unusual expenses such as HVAC and roof repairs. In addition, it allows the staff to amend goals as priorities change due to changing social environments and patrons' demand. A Fiscal 2013 budget comparison for the current month and year to date is presented to the Board of Trustees at the monthly Board meeting. This report includes percentage spent of each budget line item and shows benchmarks in relationship to library goals and percent of year passed. The director reviews a monthly cash flow report. This allows her to monitor sales tax revenue receipts in relationship to cash flow and demands on cash balances. The director and the Board of Trustees in the monthly board meeting discuss and analyze the year to date spending and revenue flow. These are not shown on the financial statements section of this report.

The Library has operated on a zero balance budget. At the end of the fiscal year each budget category reverts back to a zero balance for the New Year. The library staff worked diligently to keep the overall budget in line with the projected budget and in fact operated with a ten percent hold back until November 2013. This was to insure that adequate revenues were available to cover fixed costs such as payroll, insurance, and utilities as well as support the Library's programming needs. In November 2013, revenues were ahead of projections and staff was allowed to spend down their budgets with spending cut off at December 15, 2013.

## **Debt Administration**

The Library has no outstanding debt as of December 2013. However, the Library received notice in September 2013 from the City of Poplar Bluff of a possible repayment of city-provided funds above property and sales tax collections for the tax years 2008 - 2012. Since that time, the Library and City have come to an agreement on the amount owed. On June 2, 2014 the Library and City entered into a memorandum of understanding for the repayment of funds of \$489,786.88. Yearly payments begin December 1, 2014 with the final payment made on December 1, 2018. Annual payments will be \$97,957.37.

### **Economic Factors and Next Year's Budget**

The Library considers many factors when setting the fiscal year 2014 budget. One of the factors is the local economy and anticipated tax revenue expected from the sales tax. The sales tax is the Library's main source of revenue. The Library's operating expense increases and future capital expansion plans depend upon growth in tax revenue. The City of Poplar Bluff Parks and Recreation Department has operated on a ¼ cent sales tax since 2000. Based upon the Parks and Recreation historical record of revenue, on average sales tax has grown between 1 and 2 percent except in the economic downturn of 2008-2009. After review of this historical record, the 2014 budget was conservatively estimated to grow at 1 percent for purposes of the 2014 budget build. The Library anticipates the need for expanded and improved library service according to its goals and growth of the City of Poplar Bluff. In addition, patrons served has grown by twenty percent and congruently so has materials circulation which necessitates growth in services with increased demand on staffing.

### **Contacting the Library Management**

The financial report is designed to provide the citizens of the City of Poplar Bluff with a general overview of the Library's finances and to demonstrate the Library's accountability of the money it receives. If you have questions about this report or need additional financial information, do not hesitate to contact the Director, Sue Crites Szostak, Sherry McDonald, Board Treasurer, or Matt Funke, Board President. The address is 318 North Main Street, Poplar Bluff, MO 63901.

**Boyer & Associates, PC**  
Certified Public Accountants

(573) 431-6145 (573) 431-7500  
Fax (573) 431-0677

P.O. Box 98 – 905 E. Main Street

Park Hills, MO 63601

INDEPENDENT AUDITOR'S REPORT

June 17, 2014

To the Board of Trustees  
Poplar Bluff Municipal Library  
Poplar Bluff, Missouri

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Poplar Bluff Municipal Library (the Library) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; 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 entity'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 entity'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 financial position – modified cash basis of the governmental activities and each major fund of the Poplar Bluff Municipal Library, as of December 31, 2013, and the respective changes in financial position – modified cash basis, thereof for the year then ended in accordance with the basis of accounting described in Note 1.

***Other Matters***

***Basis of Accounting***

As described in Note 1, 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.

***Disclaimer of Opinion on Supplementary 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 on pages i – v and the budgetary comparison information and related notes on pages 14 – 15, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements under the modified cash basis of accounting. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standard*, we have also issued our report dated June 17, 2014, on our consideration of the Poplar Bluff Municipal Library's, internal control over financial reporting and on our tests of its compliance with certain provision 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 Poplar Bluff Municipal Library's, internal control over financial reporting and compliance.

*Boyer & Associates PC*

Boyer & Associates, PC  
Certified Public Accountants

-3-  
POPLAR BLUFF MUNICIPAL LIBRARY  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
December 31, 2013

ASSETS:

Cash and cash equivalents Unrestricted	<u>\$ 409,728</u>
Total Assets	<u><u>\$ 409,728</u></u>

LIABILITIES:

Accrued payroll withholdings	<u>\$ 12,447</u>
Total Liabilities	<u>\$ 12,447</u>

NET POSITION:

Unrestricted	<u>\$ 397,281</u>
Total Net Position	<u><u>\$ 397,281</u></u>

The accompanying notes are an integral part of the basic financial statements.

POPLAR BLUFF MUNICIPAL LIBRARY  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
For the Year Ended December 31, 2013

Program Expenses:	
Library Services:	
Personnel	\$493,068
Operating Expenses	223,085
Library Materials	84,696
Capital Outlay	4,496
Total Program Expenses	<u>805,345</u>
Program Revenues:	
Patron Services	27,286
State Aid and Grants	12,785
Gifts and Contributions	15,883
Net Program Revenues	<u>55,954</u>
Net Program Expenses	<u>( 749,391 )</u>
General Revenues:	
Quarter-Cent Sales Tax	1,063,996
Interest	1,495
Total General Revenues	<u>1,065,491</u>
Increase in Net Position	316,100
Net Position:	
Beginning of the year	<u>81,181</u>
End of year	<u><u>397,281</u></u>

-5-  
POPLAR BLUFF MUNICIPAL LIBRARY  
BALANCE SHEET - MODIFIED CASH BASIS  
GOVERNMENTAL FUND  
December 31, 2013

	<u>Governmental Fund</u>
ASSETS	
Cash and cash equivalents	
Unrestricted	<u>\$ 409,728</u>
Total Assets	<u><u>\$ 409,728</u></u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accrued payroll withholdings	<u>\$ 12,447</u>
Total Liabilities	<u>12,447</u>
Fund Balance:	
Unassigned	<u>397,281</u>
	<u>397,281</u>
Total Liabilities and Fund Balances	<u><u>\$ 409,728</u></u>

The accompanying notes are an integral part of the basic financial statements.

POPLAR BLUFF MUNICIPAL LIBRARY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
MODIFIED CASH BASIS - GOVERNMENTAL FUND  
For The Year Ended December 31, 2013

	<u>Governmental Fund</u>
REVENUES	
Quarter-Cent Sales Tax	\$1,063,996
Patron Services	27,286
State Aid and Grants	12,785
Gifts and Contributions	15,883
Interest	<u>1,495</u>
 Total Revenue	 <u>1,121,445</u>
EXPENDITURES	
Current:	
Personnel	\$ 493,068
Operating Expenses	223,085
Library Materials	84,696
Capital Outlay	<u>4,496</u>
 Total Expenditures	 805,345
 Net Change in Fund Balance	 316,100
 FUND BALANCE - BEGINNING OF YEAR	 <u>81,181</u>
 FUND BALANCE - END OF YEAR	 <u><u>\$ 397,281</u></u>

The accompanying notes are an integral part of the basic financial statements.

POPLAR BLUFF MUNICIPAL LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Poplar Bluff Municipal Library District (Library) was incorporated in 1916 under the provisions of the State of Missouri and is operated under a board of trustees and librarian form of management. It is a political subdivision as defined by Missouri Statute MoRS 182.480. The Council of the City of Poplar Bluff appoints the governing members of the Library's board, but the City's accountability does not extend beyond this. As of December 31, 2012, the City of Poplar Bluff does not include the Library as a component unit with the City's financial reporting.

As discussed further in Note 1, these financial statements are presented on the modified cash basis of accounting. Generally accepted accounting principles (GAAP) include all relevant Government Accounting Standards Board (GASB) pronouncements.

Reporting Entity

The financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the primary government is financially accountable or closely related. The Library has determined that no outside agency meets the criteria and therefore, no other agency has been included as a component unit in the Library's financial statements.

Fund Accounting

The accounts of the Library are organized on the basis of legally established funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Library resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following fund type is used by the Library:

Governmental Funds

Governmental Funds are those through which all functions of the Library are financed. The Library's expendable financial resources are accounted for through Governmental Funds. The measurement focus is upon determination of changes in the financial position rather than upon net income determination. Governmental Funds focus on the sources, uses and balances of current financial resources. The Library uses the following governmental fund types, each of which are considered to be a major fund:

General Revenue – This fund is the general operating fund of the Library and accounts for all financial resources, except those required to be accounted for in another fund. This includes gifts and patron services.

Basis of Presentation

*Government-wide Financial Statements:*

The Statement of Net Position and the Statement of Activities present financial information about the Library as a whole. These statements include the financial activities of the primary government. The effect of interfund activity has been eliminated for these statements. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

POPLAR BLUFF MUNICIPAL LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Net Position presents the financial condition of the governmental activities of the Library at year-end. The Statement of Activities presents a comparison between direct expenses and patron services for each function of the Library's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Amounts reported as *patron services* include charges paid by patrons for fees, or goods and services offered by the Library. Grants and contributions are restricted to meeting the operational or capital requirements of a particular program. *Gifts* are received from donors including the sale of donated books for the purposes of memorials and general use of the library for materials, programming and capital expenditures. Revenues not classified as *patron services*, *grants and contributions*, or *gifts* are presented as general revenues and include all sales taxes. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Library.

*Fund Financial Statements:*

The fund financial statements provide information about the Library's funds. A balance sheet-modified cash basis and statement of revenues, expenditures, and changes in fund balances are presented. The emphasis of fund financial statements is on *major* governmental funds each displayed in a separate column. The Library considers each of its funds to be major.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and fund financial statements are prepared using the modified cash basis of accounting. This basis of accounting recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions except that the purchase of investments are recorded as assets and payroll withholdings are reported as liabilities. This is a 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 (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, general revenue bonds and obligations under capital leases) and certain expenses (such as expenses for goods or services received but not yet paid) are not recorded in these financial statements.

If the Library utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types (if any) would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Government Fund Balances

In the governmental fund financial statements the following classifications are used to define the governmental fund balances:

**Nonspendable** – This consists of the governmental fund balances that are not in spendable form or legally or contractually required to be maintained intact. The Library has no nonspendable fund balance as of December 31, 2013.

POPLAR BLUFF MUNICIPAL LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Restricted** – This consists of the governmental fund balances that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation, The Library has no restricted funds consisting of bond proceeds restricted for capital projects and taxes approved by voters for debt obligations as of December 31, 2013.

**Committed** – This consists of the governmental fund balances that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the Board of Trustees, the Library’s highest level of decision-making authority. The Library has no committed fund balance as of December 31, 2013.

**Assigned** – This consists of the governmental fund balances that are intended to be used for specific purposes by a) Board of Trustees or b) Director. The Library’s assigned fund balance includes monies budgeted in the subsequent year.

**Unassigned** – This consists of the governmental funds that do not meet the definition “nonspendable,” “restricted,” “committed,” or “assigned.”

Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Library or through external restrictions imposed by creditors, grantors, or laws or regulations or other governments. All other net position are reported as unrestricted.

Use of Restricted Resources

When an expenditure or expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the policy of the Library to generally consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the Library that committed amounts would be reduced first, followed by assigned amounts, then unassigned amounts.

Interfund Activity

Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

NOTE 2 – BASIS OF ACCOUNTING

The Library has a policy of preparing its financial statements on the modified cash basis of accounting (with the modification of payroll withholdings as liabilities) This policy will better serve the needs of management and the users of the financial statements.



POPLAR BLUFF MUNICIPAL LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended December 31, 2013

NOTE 3 – SALES TAXES

Sales tax as set forth in RSMo 182.802 is collected by the Missouri Department of Revenue and is deposited directly in to the Library's General Revenue Account on the 7<sup>th</sup> day of each month or the first working day either preceding or following the 7<sup>th</sup>. The sales tax is ¼ cent and collected from businesses within the Poplar Bluff city limits except for the community development district of 8 Points. The Library receives 1/8 cent sales tax above the baseline prior to creation of this district.

NOTE 4 – CASH AND INVESTMENTS

The Library is governed by the deposit and investment limitations of state law. State law authorizes the following types of investments: United States Treasury and Agency Securities, Repurchase Agreements, Collateralized Certificates of Deposit, Banker's Acceptances and Commercial Paper. As of December 31, 2013 the Library did not have any investments.

Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. For balances exceeding \$250,000, the Library has entered into a third party pledge agreement with First Community Bank and an independent safekeeping agent. As of December 31, 2013, the Library had securities pledged in excess of deposits of \$45,220.

NOTE 5 – LONG-TERM LIABILITIES

The Library had no long-term liabilities on December 31, 2013.

NOTE 6 – OPERATING LEASES

The Library occupies a building erected in 1936 with a 1997 addition funded by a city wide tax referendum, and a significant 2008 renovation funded by a one million dollar donation to the Library. Since 1936, the deed to the building and property is recorded under the name of the City of Poplar Bluff. Since January 1, 2013, the Library is responsible and pays for all property and liability insurance and maintains the building and its systems from sales tax revenue. There is no formal lease with the City of Poplar Bluff as of December 31, 2013.

NOTE 7 – EMPLOYEES' RETIREMENT PLAN

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. 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 state statute, Section RSMo 70.600-70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under Internal Revenue Code Section 401(a), and it is tax exempt. All full-time employees of the Library are eligible to participate in LAGERS. Effective December 31, 2012 the library participates in the LAGERS system as a separate entity.

POPLAR BLUFF MUNICIPAL LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended December 31, 2013

NOTE 7 – EMPLOYEES’ RETIREMENT PLAN (Continued)

LAGERS issues a publicly available financial report that includes financial statement 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.

Funding Status

Full-time employees of the Library contribute 4% of annual gross pay to the pension plan. The June 30th statutorily required contribution rate is 4.8% (General) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

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

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

Annual required contribution	\$3,384
Interest on net pension obligation	0
Adjustment to annual required contribution	<u>0</u>
Annual pension cost	3,384
Actual contributions	<u>3,384</u>
Increase (decrease) in NPO	0
NPO beginning of year	<u>0</u>
NPO end of year	<u>\$0</u>

The annual required contribution (ARC) was determined as part of the initial actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2013 included:

- a. A rate of return on the investment of present and future assets of 7.25% per year, compounded annually,
- b. Projected salary increases of 3.5% per year, compounded annually, attributable to inflation,
- c. Additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit,
- d. Pre-retirement mortality based on 75% of the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women, and
- e. Post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 years for men and 0 years for women.

The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period as of the initial actuarial valuation was 30 years for the General division.

POPLAR BLUFF MUNICIPAL LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
 Year Ended December 31, 2013

NOTE 7 – EMPLOYEES’ RETIREMENT PLAN (Continued)

2013 Information

(As the Library separated its retirement from the City, there is no historical data available. Future Notes regarding retirement obligations will include multi-year data.)

**Three-Year Trend Information**

<b>Year Ended June 30</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
2013	\$3,384	100.0%	\$0

REQUIRED SUPPLEMENTARY INFORMATION  
 Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/28/2013	\$1,920	\$44,463	\$42,543	4%	\$95,441	45%

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

NOTE 8 – MISSOURI EVERGREEN LIBRARY CONSORTIUM

The Library is a member of the Missouri Evergreen Library Consortium. It is an association of municipal library districts, county libraries, and regional libraries. The purpose of the Consortium is to develop and maintain a shared integrated library system for library public catalog, cataloging, and resource sharing. The members in 2013 were Poplar Bluff Municipal Library, Grundy County Jewett Norris Library, Marshall Public Library, Carrollton Public Library, Lebanon-Laclede County Library, Stone County Library, Webster County Library, Doniphan-Ripley County Library, Albany Carnegie Public Library, Little-Dixie Regional Libraries, Carthage Public Library, Webb City Public Library, Howard County Public Library, and Bollinger County Public Library.

Missouri Evergreen is hosted by MOBIUS. The Libraries are obliged to pay a yearly licensing fee of \$ 5,525 to MOBIUS. The library can withdraw from the Consortium at any time and would pay a one-time fee to extract the Library’s data (resources and patron). All hardware for the use of this system on the library’s site is owned and operated by the Library.

POPLAR BLUFF MUNICIPAL LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended December 31, 2013

NOTE 9 – RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Library has property and liability insurance, worker's compensation, and bonding of its Director, Assistant Director, Business Services Associate, Board President, and Board Treasurer. There have been no significant reductions in coverage and settled claims have not exceeded coverage in any of the past year.

NOTE 10 – RELATED PARTY TRANSACTIONS

The Library has no transactions with related parties.

NOTE 11 – COMMITMENTS AND CONINGENCIES

Full time employees earn personal leave which are considered expenditures in the year paid. Accumulated leave is not payable upon termination or retirement. Full time employees may not accumulate more than 60 days of leave.

The Library is involved in a suit brought forth by a former employee. Employment practices are covered under the Library's errors and omissions policy and the potential exposure of the Library will not exceed the deductible.

NOTE 12 – SUBSEQUENT EVENT

On June 16, 2014 the Library executed a memorandum of understanding with the City of Poplar Bluff agreeing to pay \$489,786.88 to the City over five years as repayment for monies provided for library operations, by the city, for the years 2008-2012. Final payment should be made on December 1, 2018.

On June 16, 2014 the Library entered into a six month lease agreement with the City of Poplar Bluff. The lease terms are \$1 per year and library agrees to pay all expenses associated with Library building and maintenance including insurance, maintenance, utilities and all other related costs.

## Other Information

POPLAR BLUFF MUNICIPAL LIBRARY  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
 BALANCE AND ACTUAL - MODIFIED CASH BASIS GENERAL FUND  
 For The Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Quarter-Cent Sales Tax	1,020,000	1,020,000	1,063,996	43,996
Fines, Fees and Services	12,000	12,000	27,286	15,286
State Aid and Grants	9,000	8,500	12,785	4,285
Gifts and Contributions	-	-	15,883	15,883
Interest	-	-	1,495	1,495
	<u>1,041,000</u>	<u>1,040,500</u>	<u>1,121,445</u>	<u>80,945</u>
<b>Total Revenues</b>				
<b>EXPENDITURES:</b>				
Current:				
Personnel	495,240	580,660	493,068	87,592
Operating Expenses	118,590	236,930	223,085	13,845
Library Materials	79,846	77,351	84,696	( 7,345 )
Capital Outlay	30,000	5,000	4,496	504
	<u>723,676</u>	<u>899,941</u>	<u>805,345</u>	<u>94,596</u>
<b>Total Expenditures</b>				
<b>Net Change in Fund Balance</b>	<u>\$ 317,324</u>	<u>\$ 140,559</u>	<u>316,100</u>	<u>175,541</u>

The accompanying independent auditors' report and notes to budgetary comparison information.

**NOTES TO BUDGETARY COMPARISON INFORMATION**  
**December 31, 2013**

1. Budgets and Budgetary Accounting

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

1. The Library adopts a budget for the general fund. The budget document contains the minimum information required by Chapter 67, RSMo.
2. The Director submits to the Board of Trustees a proposed budget for the fiscal year beginning on the following January 1. The proposed budget includes estimated revenues and proposed expenditures for all Library governmental funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year.
3. Prior to January 1, the budget is legally enacted by a roll call vote of the Board of Trustees.
4. Subsequent to its formal approval of the budget, the Board of Trustees has the authority to make necessary adjustments to the budget by formal vote of the Board. Adjustments made during the year are reflected in the budget information included in the financial statements.
5. Budgets are adopted on a cash basis of accounting.
6. Appropriations lapse at year end.

Additional Supplementary Information



# Boyer & Associates, PC

Certified Public Accountants

(573) 431-6145 (573) 431-7500

Fax (573) 431-0677

P.O. Box 98 – 905 E. Main Street

Park Hills, MO 63601

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

June 17, 2014

To the Board of Trustees  
Poplar Bluff Municipal Library  
Poplar Bluff, Missouri

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of Poplar Bluff Municipal Library as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Poplar Bluff Municipal Library's basic financial statements, and have issued our report thereon dated June 17, 2014. Our report on the basic financial statements disclosed that, as described in Note 1 to the financial statements, the Library prepares its financial statements 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.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Poplar Bluff Municipal Library's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Poplar Bluff Municipal Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Poplar Bluff Municipal Library's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A Significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

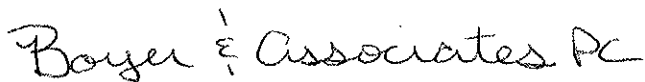
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Poplar Bluff Municipal Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provision of laws, regulations and contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly this communication is not suitable for any other purpose.



Boyer & Associates, PC  
Certified Public Accountants