

POPLAR BLUFF MUNICIPAL LIBRARY
POPLAR BLUFF, MISSOURI

FINANCIAL STATEMENTS

DECEMBER 31, 2016

Poplar Bluff Municipal Library District

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December 31, 2016

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Poplar Bluff Municipal Library
Poplar Bluff, Missouri 63901

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 Poplar Bluff Municipal Library (the Library), as of and for the year ended December 31, 2016, 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.

Auditors' 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 from 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 modified cash basis financial position of the governmental activities and each major fund of the Poplar Bluff Municipal Library as of December 31, 2016, and respective changes in modified cash basis financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 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 Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's basic financial statements. The management's discussion and analysis on pages 3-11, the budgetary comparison information and related notes on pages 25-26, and the schedule of changes in net pension liability, the schedule of contributions, and notes to the schedule of contributions on pages 27-29, which are the responsibility of management, are present for purposes of additional analysis and are not a required part of the basic financial statements. 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 Standards*, we have also issued our report dated March 17, 2017, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.

Kraft, Miles & Tatum, LLC

Certified Public Accountants

March 17, 2017

Poplar Bluff Municipal Library District
Management's Discussion and Analysis
(Unaudited)

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, 2016. Please read this Management Discussion and Analysis (MD&A) in conjunction with the Library's Financial Statements, which follow.

Financial Highlights

1. The Library, a political subdivision governed by the Library Board of Trustees, 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, building and grounds maintenance, payroll, health benefits, worker's compensation, bonding, banking, accounts receivable and accounts payable.
2. The Library is funded solely by a ¼ cent sales tax in the city limits of Poplar Bluff approved by the voters on June 5, 2012.
3. The Library's property tax rate was set to zero and no property tax has been collected beginning with the 2012 fiscal year.
4. In 2015 the library director began the process of developing a strategic plan. In October 2015, the library director met with three board members, the Friends of the Library president, a library staff member, and two citizens to discuss long-term needs of the library. As a result of this meeting, the director with library staff and board members rewrote the library's mission statement during June, July, and August 2016. A new mission statement was adopted September 2016.

Poplar Bluff Municipal Library District with its community partners provides and promotes equal access to reading, information, cultural and intellectual resources.

- During the library's November 11, 2016 library staff in-service day, library staff discussed the mission statement and began offering ideas for both long- and short-term goals. These will be incorporated into the library's strategic plan to be completed in 2017.
5. Library management continued to expend efforts in the development and honing of policies and procedures. All policy additions or changes are approved by the Library Board of Trustees. Policies and/or procedures adopted or changed include Background Checks for all employees and volunteers, Holiday Schedule revision, Gifts, Employee Call Outs, and updated Code of Conduct. With the exception of the Gift Policy, none of these policies significantly affect library finances immediately while their absence can make the library vulnerable to liability claims. Management of gifts can potentially impact the library's long- and short-range financial picture depending upon the size, nature, and stipulations of the gift.
 6. During fiscal year 2016, in accordance with the library's bid schedule for professional services, the library bid its insurance services, health, liability and property, worker's compensation, and bonding. Sterling Insurance was awarded the bid at the December

- 2016 board meeting. This bid covers 2017-2019 with the option of two more years of renewals through 2021.
7. Building maintenance continues to be a high priority. Minor repairs were affected within the building, on HVAC, and on the exterior. In total these repairs were less than \$8,000.
 8. A security system was installed in the library. Unauthorized entry into the building and panic buttons for threatening incidents make immediate calls to law enforcement authorities. Coupled with the library's fire alarm system, protection of the building, staff, and patrons is heightened.
 9. The library received a gift from Jay and Terry Githens to construct an iron fence on the south side of the building. This fence enclosed the Sensory Garden and lawn to the Main Street sidewalk on the west and Oak Street on the south. The completion of the fence allows the library to extend its programming facilities for children and adults providing safety for participants. In addition, the fence allows safe passage without crossing streets or parking lot for children exiting buses and other mass transportation allowing direct entry into the children's library.
 10. Another gift from the Githens Family included statuary placed in the Sensory Garden as a memorial.
 11. The Library celebrated its Centennial in 2016. To mark this occasion and with the help of a citizen led Centennial Committee, major events presented throughout the year commemorated this milestone.
 - a. Open House: January 2016, an open house was hosted with other celebrants' significant anniversaries at Three Rivers College. Over 200 community members attended.
 - 1) Three Rivers College, 50 years
 - 2) Wappapello Dam, 75 years
 - 3) Sacred Heart School, 100 years
 - 4) Sacred Heart Church, 125 years
 - b. Exhibition: *Golden Legacy: Original Art from 65 Years of Golden Books*, March-April 2016, a national exhibit from the National Center for Children's Illustrated Literature made its appearance at the Poplar Bluff Municipal Library. With the help of over 500 hours of volunteer docents, community donations of \$12,000, and the appearance of Leonard Marcus, exhibit curator, nearly 2,500 attended and viewed the exhibit. Attendees came from adjacent counties, across Missouri and from surrounding states with some visitors from Texas and Florida.
 - c. State-wide Conference: Over 60 library professionals attended the Missouri Public Library Directors (MPLD) meeting in Poplar Bluff to celebrate the library's centennial and to commemorate the Missouri Library Association meeting in Poplar Bluff 80 years previously when the current library facility opened its doors.
 - d. Community-Wide Read: With the Centennial Committee, the first community-wide read launched in Poplar Bluff/Butler County. Sterling Bank underwrote this project involving children and adults—Kindergarten to senior citizens. Nearly 1500 people participated in "The Book in The Bluff." Citizens read The Boys in the Boat by Daniel James Brown. Art and essay contests for young people reading the young adult version of the book; a demonstration with the St. Louis Rowing Club of rowing at Lake Wappapello; adult book clubs and discussions; the documentary, "The Boys of '36" with a special showing for the library's Sunday Movie Matinee; and presentations by Judy Rantz Willman, daughter of Joe Rantz,

one of the 1936 Olympic rowers allowed our community to experience the book. The community related to the experience of the Olympic spirit bringing an understanding of overcoming adversity to become a winner. These events brought the Poplar Bluff community together giving inspiration with the common denominator being the book.

- e. Launching a New Service: December 2016 brought the culmination of the library's centennial celebration when it launched a new service, Hoopla. Evaluating its current online services and discarding those with little use by the public, the library staff found a service which met the diverse needs of the library's users. Hoopla gave library patrons access to ebooks, eaudio books, comics, music, movies, and TV shows. This increased the library patron's access to over 500,000 more items.
12. For the Centennial year, library staff raised over \$56,000 providing extraordinary programming for the celebration without diminishing the library's regular budget. This allowed staff to prepare and present programs to the community enhancing the quality of life in Poplar Bluff, Butler County, and the surrounding communities.
13. Chairs and tables were replaced for a cost of \$30,748.33. The Board of Trustees in its October meeting gave the director permission to use reserve funds for the replacement of theater, Conference Room, lounge, and staff office chairs. After review and Board approved revision of the budget, reserve funds were not needed for these purchases as savings in other areas of the budget met these costs.

Chairs currently in the conference room were used to replace the BARC chairs and new task chairs were put into conference room. Old staff, lounge, BARC, and theater chairs were declared unusable due to condition.

With the new conference room chairs and tables, library programming and meeting needs were enhanced with the capability of multiple configurations for classes and group use with increased seating capacity.

14. Sales tax revenues for 2016 were up by 1.8 percent over 2015.
15. The library made its third of five repayments in December 2015 for historical operations to the City of Poplar Bluff as agreed through a Memorandum of Understanding with the City and ratified by the Library Board of Trustees and Poplar Bluff City Council in June 2014. The amount of the third payment was \$97,957.37. Repayment to the City will be complete in December 2018.
16. The library leases the building and parking lot from the City of Poplar Bluff for \$1.00 per year with lease renewal every six months.
17. The library paid \$57,811.37 to the City of Poplar Bluff for the library's portion of the Eight Points Tax Increment Financing (TIF) for the period December 1, 2015 (billed after January 1, 2016) through October 31, 2016. The library's portion is one-half of the total ¼ cent sales tax revenues received in this district. The library paid more in 2016 for the TIF than new revenue received from all of its sales tax collection. This obligation continues through 2038 or completion of City bond payments.
18. Fiscal Year 2016 ended with an unassigned cash balance of \$199,767.52 with an additional \$203,706.64 set aside in reserves. The library's General Revenue bank balance at year's end was \$759,920.86. This amount with funds set aside as Reserves gives the library enough funds to operate for at least one year.

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

The Library's financial statements are summarized for the years 2014, 2015, and 2016. Currently, the Library is unique in Missouri and is the only library funded solely by sales tax. Historical data goes back to 2013. 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 report show the Library's net assets changes during the most recent fiscal year. These statements include all assets and liabilities using the modified cash basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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 Position and the Statement of Activities, we look at the Library's overall activity.

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

The following is a summary of the Statement of Net Position on the modified cash basis of accounting as of December 31, 2016 and 2015:

| | <u>December 31,</u> | |
|--------------------------------------|---------------------|----------------|
| | <u>2016</u> | <u>2015</u> |
| Assets: | | |
| Cash and Cash Equivalents | 970,448 | 758,968 |
| Restricted Cash and Cash Equivalents | \$ - | 5,612 |
| | | |
| Total Assets | <u>970,448</u> | <u>764,580</u> |
| | | |
| Liabilities: | | |
| Accrued payroll withholdings | <u>11,333</u> | <u>5,233</u> |
| | | |
| Total Liabilities | <u>11,333</u> | <u>5,233</u> |
| | | |
| Net Position: | | |
| Restricted for: | | |
| Equipment | - | 5,612 |
| Unrestricted | <u>959,115</u> | <u>753,735</u> |
| | | |
| Total Net Position | <u>\$ 959,115</u> | <u>759,347</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 and the Library as a whole.

The Library's fund statement encompasses the activity of the general fund. The general revenue 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 comparative statement of net assets for the year 2016.

POPLAR BLUFF MUNICIPAL LIBRARY DISTRICT

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED DECEMBER 31**

| Program Expenses: | 2016 | 2015 |
|---------------------------------|--------------------|--------------------|
| Library services: | | |
| Personnel | \$ 611,470 | \$ 587,095 |
| Operating Expenses | 407,031 | 433,715 |
| Library Materials | 87,064 | 78,454 |
| Capital Outlay | 14,997 | 5,843 |
| Total Program Expenses | 1,120,562 | 1,105,107 |
| | | |
| Program Revenues: | | |
| Patron Services | 17,170 | 16,588 |
| State Aid & Grants | 20,551 | 17,076 |
| Gifts and Contributions | 56,281 | 16,041 |
| Net Program Revenues | 94,002 | 49,705 |
| Net Program Expenses | (1,026,560) | (1,055,402) |
| | | |
| General Revenues: | | |
| Quarter-Cent Sales Tax | 1,218,850 | 1,197,749 |
| Interest | 7,478 | 5,066 |
| Total General Revenues | 1,226,328 | 1,202,815 |
| | | |
| Increase in Net Position | 199,768 | 147,413 |
| | | |
| Net Position: | | |
| Beginning of the year | 759,347 | 611,934 |
| End of year | \$ 959,115 | \$ 759,347 |

The Library's main source of revenue is a ¼ cent sales tax collected within the city limits of Poplar Bluff, Missouri. This accounts for 92 percent of the Library's total revenue. Other income sources included grants, donations, donated and withdrawn book sales, state aid, bank account interest, fines and fees.

The personnel expense represents 54.6 percent of total expenditures, while the state average for 2015 is 59 percent (latest data available). Personnel expenditures as a percentage of budget increased by .7 percent from 2015. Labor hours increased by 2.8 percent. The increased labor hours is reflected in library usage. Below is a short list of library services which increased in 2016 over 2015 (percentage increase in parentheses).

194,651 Items borrowed (5% increase)
28,055 Items Downloaded --eBooks, eAudiobooks, eMagazines (39% increase)
53,630 Computer & Wi-Fi Sessions (9% increase)
115,506 Library Visitors (6% increase)
2,209 New Library Cards
1,281 New eBook Users (61% increase)
18,294 Attendance at Library Programs (66% increase)

Labor cost increases are due to an increase in health care benefits, step in grade raises, a 1.5 percent COLA, and increased retirement benefits payments to LAGERS (Local Area Government Employee Retirement System). Labor hours for 2015 were 29,829.28 and for 2016 were 30,676.47 for an increase of 847.19 hours over 2015 with an increase of \$24,375.67 labor costs in 2016 or 4 percent of the total labor costs. When looking at increased services and programming ranging from 5 percent to 66 percent the library kept its labor costs low and made efficient use of its staffing for these increased services.

Capital Asset Activity

Capital improvements, \$14,997, included the purchase of the Sensory Garden fence and updated RFID Self-check equipment provided by Bibliotheca. Funds for the RFID purchase included Library Services and Technology (LSTA) grant funds administered by the Missouri State Library in the amount of \$16,031 with a 38 percent local match. The total project amounted to \$25,940.

Budget Highlights

The Library adopts a general budget in the November Board meeting after it has been presented in October for discussion with the Board of Trustees. 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, Technology Coordinator, Building Administrator, and Business Services Associate. Each staff member presents their budget. The budget is developed into a balanced budget meeting the library's mission statement and incorporating the staff's individual and library goals. Included in the budget is a ten percent reserve not including carryovers from the previous fiscal 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 library management an opportunity to track spending and to modify the budget as necessary to cover any unusual expenses such as extraordinary repairs, equipment replacement and/or personnel costs as well as monitor the revenue stream in relation to budget expenditures. In addition, it allows the staff to amend goals as spending priorities change due to changing social environments and patrons' demand.

Each Board meeting agenda includes the Financial Report. A Fiscal 2016 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 the new balance for the new fiscal 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 December 2016. Based upon revenue and donations, the ten percent hold back was released in December and staff could spend their budgets as developed and revised through October 2016.

Debt Administration

The Library had no outstanding debt as of December 2016. The library continues to repay the City of Poplar Bluff for Historical Operations for tax years 2008-2012. This repayment is outlined in the Memorandum of Understanding, as approved by the Library Board of Trustees and the Poplar Bluff City Council June 2, 2014. In 2016, the library made its third payment of five to the City. The remaining amount owed to the City is \$195,914. It is the intent of Poplar Bluff Municipal Library District to continue to make a payment of \$97,957 on December 1, 2017 and a final payment of \$97,957 on December 1, 2018.

Economic Factors and Next Year's Budget

The Library considered many factors when setting the fiscal year 2017 budget. One of the factors is the local economy and anticipated tax revenue expected from the municipality of Poplar Bluff sales tax district. 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. On average sales tax has grown between 1 and 2 percent except in the economic downturn of 2008-2009. The 2016 budget was conservatively estimated to grow at 2 percent for purposes of the 2016 budget build. Actual revenue growth was 1.8 percent. The Library anticipates the need for expanded and improved library service according to its goals and growth of the City of Poplar Bluff.

In 2016 the number of visitors increased by 5.6 percent over 2015 averaging a little over 345 people per day the library was open. During June, July and August, average attendance in the library was nearly 419 people per day. Since 2012, there are 54 percent more people through the library doors. This growth is explained by increased library programming, customer service training, free library cards for Butler County and the contiguous Missouri counties, growth of and access to digital materials, overall collection growth, additional library hours, and active resource sharing with Missouri libraries. To manage this growth staff duties have been realigned with changes in job descriptions and increased staff training with an addition of only .4 FTE staffing over 2015. The library is managing its resources efficiently and wisely for continued growth and fiscal responsibility.

Additional changes for increased efficiency is the purchase and installation of a replacement RFID system. A grant from Institute of Museum and Libraries/Library Services and Technology

Act as administered by the Missouri State Library funded 62 percent of the costs with the remainder matched by library funds. This system from Bibliotheca gives staff access to better and more timely reporting of gate counts, immediate feedback on security problems at checkout, and user friendly interfaces at check out and check in. This saves staff time and effort. In addition, library staff can look at gate counts on an hourly basis. This data provides information for staff scheduling.

The library's continued relationship with Missouri Evergreen libraries and traditional interlibrary loan through OCLC provides cost savings and avoidance with library resource sharing and cooperative purchasing of products. This sharing maximizes library dollars for Poplar Bluff Municipal Library and its partners across Missouri providing value to Missouri citizens. Interlibrary Loan numbered over 28,940 items borrowed or lent. This is 34 percent more than the year before. Items borrowed by Poplar Bluff patrons allowed for a purchasing cost avoidance in excess of \$300,000. Additionally the library ranked continuously in the top six among 100 Missouri libraries in resource borrowing exceeding usage by library systems more than twice its size. The library expects to see continued growth in lending and borrowing. With the addition of more libraries to Missouri Evergreen and the addition of Hoopla, the library's materials grew to over 2,000,000 items. This size collection is seen only in urban areas with ten to fifteen times the population base. The Poplar Bluff community benefits from the library's increased access. The library experienced this growth without adding more dollars in materials.

In 2016 the library recorded 1,424 volunteer hours. Volunteer assistance was offered in children's services, technical services, and housekeeping. Additional volunteers grew through docents for the Golden Legacy art exhibit. The volunteer program is not intended to replace paid staff but to grow current staff skill sets within the organization and to meet the increased demand for library services and managing library growth in a fiscally responsible manner.

Efforts to maintain and increase efficiency where possible will continue to be a high priority. This is necessary considering limited growth in tax revenue while maintaining and growing library services in the Poplar Bluff community.

The library's Centennial celebrations created opportunities for new partnerships and growth in volunteers and donations. While the heights reached in 2016, a Centennial year, could be less in succeeding years, the library continues to explore growth and insure heightened awareness of library services.

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, Cindy White, Board Treasurer, or Christy Turner, Board President. The address is 318 North Main Street, Poplar Bluff, MO 63901.

Poplar Bluff Municipal Library District
Statement of Net Position - Modified Cash Basis
December 31, 2016

| ASSETS | Governmental <u>Activities</u> |
|------------------------------|-----------------------------------|
| Cash and cash equivalents | <u>\$ 970,448</u> |
| Total assets | <u>970,448</u> |
| | |
| LIABILITIES | |
| Accrued payroll withholdings | <u>11,333</u> |
| Total liabilities | <u>11,333</u> |
| | |
| NET POSITION | |
| Unrestricted | <u>959,115</u> |
| Total net position | <u><u>\$ 959,115</u></u> |

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

Poplar Bluff Municipal Library District
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2016

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenue</u> | | <u>Net (Expenses) Revenue and Changes in Net Position</u> |
|-------------------------------|-----------------------|---------------------------------|---|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Governmental Activities</u> |
| Governmental Activities: | | | | |
| Library | \$ (1,105,565) | 17,170 | 76,832 | (1,011,563) |
| Capital expenses | (14,997) | - | - | (14,997) |
| Total governmental activities | <u>\$ (1,120,562)</u> | <u>17,170</u> | <u>76,832</u> | <u>(1,026,560)</u> |
| General Revenues: | | | | |
| | | | | \$ 1,218,850 |
| | | | | <u>7,478</u> |
| | | | | <u>1,226,328</u> |
| | | | | 199,768 |
| | | | | <u>759,347</u> |
| | | | | <u>\$ 959,115</u> |

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

Poplar Bluff Municipal Library District
 Balance Sheet - Modified Cash Basis
 Governmental Fund
 December 31, 2016

| | <u>General Fund</u> |
|--------------------------------------|--------------------------|
| ASSETS | |
| Cash and cash equivalents | <u>\$ 970,448</u> |
| Total assets | <u>\$ 970,448</u> |
| LIABILITIES AND FUND BALANCES | |
| Liabilities: | |
| Accrued payroll withholdings | <u>\$ 11,333</u> |
| Total liabilities | <u>11,333</u> |
| Fund Balance: | |
| Assigned to: | |
| Library reserves | 203,707 |
| Library books | 4,144 |
| Unassigned | <u>751,264</u> |
| Total fund balance | <u>959,115</u> |
| Total liabilities and fund balances | <u><u>\$ 970,448</u></u> |

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

Poplar Bluff Municipal Library District
Statement Revenues, Expenditures and Changes in Fund Balance
Modified Cash Basis - Governmental Fund
For the Year Ended December 31, 2016

| | <u>General Fund</u> |
|--------------------------------|------------------------------|
| REVENUES | |
| Quarter-cent sales tax | \$ 1,218,850 |
| Patron services | 17,170 |
| State aid and grants | 20,551 |
| Gifts and contributions | 56,281 |
| Interest | <u>7,478</u> |
| Total revenue | <u>1,320,330</u> |
| EXPENDITURES | |
| Current: | |
| Personnel | 611,470 |
| Operating expenses | 407,031 |
| Library materials | 87,064 |
| Capital Outlay | <u>14,997</u> |
| Total expenditures | <u>1,120,562</u> |
| Net change in fund balance | 199,768 |
| Fund balance, beginning | <u>759,347</u> |
| Fund balance, ending | <u><u>\$ 959,115</u></u> |

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

Poplar Bluff Municipal Library District

Notes to Financial Statements

December 31, 2016

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 RSMo 182.480. The Council of the City of Poplar Bluff (City) 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, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Generally accepted accounting principles (GAAP) include all relevant Government Accounting Standards Board (GASB) pronouncements.

A. Financial 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.

B. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position - Modified Cash Basis and Statement of Activities - Modified Cash Basis present financial information about the Library as a whole. These statements included 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.

The Statement of Net Position - Modified Cash Basis presents the financial condition of the governmental activities of the Library at year-end. The Statement of Activities - Modified Cash Basis 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.

Poplar Bluff Municipal Library District

Notes to Financial Statements

December 31, 2016

Fund Financial Statements

The fund financial statements provide information about the Library's funds. A balance sheet and statement of revenues, expenditures, and changes in fund balance 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.

The accounts of the Library are organized on the basis of legally established funds, each of which is considered to be a separate accounting entity. The operations of each fund is accounted for by providing a separate set of self-balancing accounts, which include 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:

| <u>Fund</u> | <u>Brief Description</u> |
|-----------------|--|
| 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. |

C. Measurement Focus and Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Library's policy is to prepare its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting recognizes assets, liabilities, net position/fund equity, revenues, 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.

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 but 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.

Poplar Bluff Municipal Library District

Notes to Financial Statements

December 31, 2016

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.

D. Net Position or Fund Equity

Government Fund Balances

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

- (1) Non-spendable - This consists of the governmental fund balances that are not in spendable form or legally or contractually required to be maintained intact.
- (2) Restricted - This consists of the governmental fund balances that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation.
- (3) 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.
- (4) 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.
- (5) Unassigned - All amounts not included in other fund balance classifications.

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, laws, regulations or other governments. All other net positions 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 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.

Poplar Bluff Municipal Library District

Notes to Financial Statements

December 31, 2016

E. 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.

2. Sales Taxes

Sales tax as set forth in RSMo 182.802 is collected by the Missouri Department of Revenue and is deposited directly into the Library's General Revenue Account on the seventh day of each month or the first working day either proceeding or following the seventh day. The sales tax is 1/4 cent and collected from businesses within the Poplar Bluff city limits except for the community development district of Eight Points. The Library receives 1/4 cent sales tax from the Eight Points Development District and then is billed by the City of Poplar Bluff for 1/2 of the sales tax collected by the Missouri Department of Revenue on behalf of the Library. This amount is paid to the City of Poplar Bluff quarterly for the City's repayment of loans for infrastructure and development in the District. Currently, the scheduled completion of repayment is August 5, 2035.

3. 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, 2016, 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. Southern Bank, the Library's financial institution, issues statements of investments as part of its safe keeping agreement on any bank balance exceeding \$250,000. As of December 31, 2016, all balances were fully secured.

4. Long-Term Liabilities

On June 16, 2014 the Library executed a memorandum of understanding with the City of Poplar Bluff agreeing to pay \$489,787 over a period of five years as payment for monies provided by the City for Library operations over and above the amounts of property taxes received by the City for the years 2008-2012. The first payment of \$97,957 was made on December 1, 2014. On December 6, 2016, the third of five payments was made in the amount of \$97,957 leaving a remaining balance of \$195,915. This payment is attributed to the Historical Operations in the Library's budget. It is the intent of the Library Board of Trustees to make the final payment on December 1, 2018.

Poplar Bluff Municipal Library District

Notes to Financial Statements

December 31, 2016

5. 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 a formal lease with the City of Poplar Bluff as of December 31, 2016 for \$1 per six months for five years. The lease agreement was voted by the City of Poplar Bluff Council on June 16, 2014.

6. Employee's Retirement Plan

Summary of Significant Accounting Principles

Pensions. For the 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 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 (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan description. The Poplar Bluff Municipal Library District defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The Poplar Bluff Municipal Library District participates in the Missouri Local Government Employees Retirement System (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.

Poplar Bluff Municipal Library District

Notes to Financial Statements

December 31, 2016

| | |
|-----------------------|-----------------------|
| | <u>2016 Valuation</u> |
| Benefit Multiplier: | 1.50% |
| Final Average Salary: | 5 Years |
| Member Contributions | 4.00% |

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.

Employees covered by benefit terms. At December 31, 2016, the following employees were covered by the benefit terms:

| | |
|--|-----------------|
| Inactive employees or beneficiaries currently receiving benefits | - |
| Inactive employees entitled to but not yet receiving benefits | - |
| Active employees | <u>6</u> |
| | <u><u>6</u></u> |

Contributions. The employer 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% of their gross pay to the pension plan. Employer contribution rates are 6.5% of annual covered payroll.

Net Pension Liability. The employer'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, 2.50% price inflation |
| Salary Increase | 3.25% to 6.55% including inflation |
| Investment rate of return | 7.25% |

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

Poplar Bluff Municipal Library District

Notes to Financial Statements

December 31, 2016

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.

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% | 5.29% |
| Fixed Income | 26.00% | 2.23% |
| Real Assets | 21.00% | 3.31% |
| Strategic Assets | 10.00% | 5.73% |

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.

Changes in the Net Pension Liability:

| | <u>Increase (Decrease)</u> | | |
|---|---------------------------------------|---|---|
| | <u>Total Pension Liability</u> (a) | <u>Plan Fiduciary Net Position</u> (b) | <u>Net Pension Liability</u> (a) - (b) |
| Balances at 12/31/15 | \$ 129,576 | 73,997 | 55,579 |
| Changes for the year: | | | |
| Service Cost | 29,184 | - | 29,184 |
| Interest | 10,329 | - | 10,329 |
| Difference between expected and actual experience | (3,776) | - | (3,776) |
| Changes in assumptions | 11,450 | - | 11,450 |
| Contributions - employer | - | 18,332 | (18,332) |
| Contributions - employee | - | 11,653 | (11,653) |
| Net investment income | - | (292) | 292 |
| Benefit payments, including refunds | (2,942) | (2,942) | - |
| Administrative expense | - | (674) | 674 |
| Other changes | - | (582) | 582 |
| Net Changes | <u>44,245</u> | <u>25,495</u> | <u>18,750</u> |
| Balances at 12/31/16 | <u>\$ 173,821</u> | <u>99,492</u> | <u>74,329</u> |

Poplar Bluff Municipal Library District

Notes to Financial Statements

December 31, 2016

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 one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

| 1% Decrease | Current Single Discount Rate Assumption | 1% Increase |
|-------------|--|-------------|
| 6.25% | 7.25% | 8.25% |
| \$ 114,729 | 74,329 | 41,430 |

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

For the year ended December 31, 2016, had the financial statements been prepared in accordance with generally accepted accounting principles (GAAP), the employer would have recognized a pension expense of \$26,336. The employer would have reported deferred outflows and inflows of resources related to pensions from the following sources:

| | Deferred Outflows of <u>Resources</u> | Deferred Inflows of <u>Resources</u> |
|---|---|--|
| Differences in experience | \$ 7,528 | (3,430) |
| Differences in assumptions | 10,400 | - |
| Excess (deficit) investment returns | 7,100 | - |
| Contributions subsequent to the measurement date* | 11,977 | - |
| Total | <u>\$ 37,005</u> | <u>(3,430)</u> |

*The amount reported as deferred outflows of resource resulting from contributions subsequent to the measurement date would have been recognized as a reduction to the Net Pension Liability for the year ending December 31, 2017.

Had the financial statements been prepared in accordance with GAAP, the amounts reported as deferred outflows and inflows of resources related to pensions would have been recognized in pension expense as follows:

| Year Ended: | |
|-------------|------------------|
| 2017 | \$ 3,503 |
| 2018 | 3,503 |
| 2019 | 3,501 |
| 2020 | 2,889 |
| 2021 | 1,574 |
| Thereafter | 6,628 |
| | <u>\$ 21,598</u> |

Poplar Bluff Municipal Library District

Notes to Financial Statements

December 31, 2016

Payable to the Pension Plan

At December 31, 2016, the Library reported a payable of \$4,148 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2016.

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 2016 were Poplar Bluff Municipal Library, Albany Carnegie Public Library, Bollinger County Public Library, Cameron Public Library, Carrollton Public Library, Carthage Public Library, Caruthersville Public Library, Doniphan-Ripley County Library, De Soto County Public Library, Dulany Memorial Library, Grundy County Jewett Norris Library, Howard County Public Library, Lebanon-Leclde County Library, Little-Dixie Regional Libraries, Marion County Public Library, Marshall Public Library, Ozark Regional Library, Polk County Public Library, Pulaski County Public Library, Ste. Genevieve County Public Library, Salem Public Library, Scenic Regional Library, Sikeston Public Library, Schuyler County Library District, Stone County Library, Washington Public Library, Webb City Public Library, Webster County Library, and Willow Springs Public Library.

Missouri Evergreen is hosted by MOBIUS. The Library is obliged to pay a yearly licensing fee of \$5,575 for the Missouri Evergreen ILS plus \$280 for Syndectics content 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 from the use of the system on the Library's site is owned and operated by the Library.

8. Risk Management

The Library is exposed to various risks of losses related to torts, theft 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.

9. Related Party Transactions

The Library has no transactions with related parties.

10. Commitments and Contingencies

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 sixty days of leave.

Poplar Bluff Municipal Library District
 Budgetary Comparison Schedule (Unaudited)
 General Fund
 For the Year Ended December 31, 2016

| | <u>Budgeted Amounts</u> | | <u>Actual</u> <u>Amounts</u> | Variance with Final Budget - Positive/ (Negative) |
|----------------------------|-------------------------|------------------|---------------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Quarter-cent sales tax | \$ 1,040,000 | 1,155,000 | 1,218,850 | 63,850 |
| Fines, fees and services | 10,000 | 15,000 | 17,170 | 2,170 |
| State aid and grants | - | - | 20,551 | 20,551 |
| Gifts and contributions | - | - | 56,281 | 56,281 |
| Interest | - | - | 7,478 | 7,478 |
| Total revenues | <u>1,050,000</u> | <u>1,170,000</u> | <u>1,320,330</u> | <u>150,330</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Personnel | 650,400 | 646,450 | 611,470 | 34,980 |
| Operating expenses | 348,650 | 429,450 | 407,031 | 22,419 |
| Library Materials | 77,750 | 78,750 | 87,064 | (8,314) |
| Capital outlay | - | - | 14,997 | (14,997) |
| Total expenditures | <u>1,076,800</u> | <u>1,154,650</u> | <u>1,120,562</u> | <u>34,088</u> |
| Net change in fund balance | <u>\$ (26,800)</u> | <u>15,350</u> | <u>199,768</u> | <u>184,418</u> |

Poplar Bluff Municipal Library District
Notes to Budgetary Comparison Information (Unaudited)
December 31, 2016

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 documents 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 of 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 the cash basis of accounting.
- (6) Appropriations lapse at year end.

Poplar Bluff Municipal Library District
 Schedule of Changes in Net Pension Liability (Unaudited)
 For the Year Ended December 31, 2016

| <i>Fiscal year ending December 31,</i> | <u>2016</u> | <u>2015</u> |
|---|------------------|----------------|
| Total Pension Liability | | |
| Service cost | \$ 29,184 | 28,550 |
| Interest on the total pension liability | 10,329 | 7,151 |
| Difference between expected and actual experience | (3,776) | 9,268 |
| Assumption changes | 11,450 | - |
| Benefit payments | <u>(2,942)</u> | <u>-</u> |
| Net change in total pension liability | 44,245 | 44,969 |
| Total pension liability, beginning | <u>129,576</u> | <u>84,607</u> |
| Total pension liability, ending | <u>173,821</u> | <u>129,576</u> |
| Plan Fiduciary Net Position | | |
| Contributions-employer | 18,332 | 17,611 |
| Contributions-employee | 11,653 | 12,561 |
| Pension plan net investment income | (292) | 996 |
| Benefit payments | (2,942) | - |
| Pension plan administrative expense | (674) | (653) |
| Other | <u>(582)</u> | <u>3,800</u> |
| Net change in plan fiduciary net position | 25,495 | 34,315 |
| Plan fiduciary net position, beginning | <u>73,997</u> | <u>39,682</u> |
| Plan fiduciary net position, ending | <u>99,492</u> | <u>73,997</u> |
| Employer net pension liability | <u>\$ 74,329</u> | <u>55,579</u> |
| Plan fiduciary net position as a percentage of total pension liability | 57.24% | 57.11% |
| Covered employee payroll | \$ 269,636 | 330,619 |
| Employer's net pension liability as a percentage of covered employee payroll | 27.57% | 16.81% |

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

Poplar Bluff Municipal Library District
 Schedule of Contributions (Unaudited)
 For the Year Ended December 31, 2016

| <i>Fiscal year ending December 31,</i> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|---|----------------|---------------|---------------|--------------|
| Actuarially determined contribution | \$ 21,103 | 20,804 | 15,285 | 9,401 |
| Contributions in relation to the actuarially determined contribution | <u>21,103</u> | <u>18,941</u> | <u>15,285</u> | <u>9,401</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>1,863</u> | <u>-</u> | <u>-</u> |
| Covered employee payroll | \$ 324,661 | 310,503 | 299,710 | 195,862 |
| Contributions as a percentage of covered employee payroll | 6.50% | 6.10% | 5.10% | 4.80% |

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

Poplar Bluff Municipal Library District
Notes to Schedule of Contributions (Unaudited)
December 31, 2016

| | |
|---|---|
| Valuation Date: | February 29, 2016 |
| Notes: | The roll-forward of total pension liability from February 29, 2016 to June 30, 2016 reflects expected service cost and interest reduced by actual benefit payments and administrative expenses. |
| Methods and Assumptions Used to Determine Contribution Rates: | |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | Multiple bases from 14 to 26 years |
| Asset Valuation Method | 5-Year smoothed market; 20% corridor |
| Inflation | 3.25% wage inflation; 2.50% 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 | <p>The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables were used for the RP-2014 employees mortality table for males and females.</p> <p>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 the particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.</p> |
| Other Information: | New assumptions adopted based on the 5-year experience study for the period March 1, 2010 through February 28, 2015. |



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CERTIFIED PUBLIC ACCOUNTANTS

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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*

To the Board of Trustees
Poplar Bluff Municipal Library
Poplar Bluff, Missouri 63901

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 the Poplar Bluff Municipal Library, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Poplar Bluff Municipal Library's basic financial statements and have issued our report thereon dated March 17, 2017. As noted in that report, the Library prepares its financial statements on the modified cash basis of account, 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 the 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 the Poplar Bluff Municipal Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, 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

This 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 on the effectiveness of the Library'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 Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kraft, Miles & Tatum, LLC

Certified Public Accountants

March 17, 2017



KRAFT, MILES & TATUM, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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Board of Trustees
Poplar Bluff Municipal Library
Poplar Bluff, Missouri 63901

We have audited the financial statements of the governmental activities and each major fund of the Poplar Bluff Municipal Library for the year ended December 31, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 15, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Poplar Bluff Municipal Library District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2016. We noted no transactions entered into by the Library during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

The actuarial valuation of assets related to the defined benefit pension plan. The Library participates in the Missouri Local Government Employees Retirement System (LAGERS), and the valuation is performed by LAGERS. We evaluated the key factors and assumptions used to develop the valuation of assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosures of the summary of significant accounting principles in Note 1 to the financial statements. The note provides organizational details, basis of accounting, and other vital information available to the users of the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We identified no such misstatements during the audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 17, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Library's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Library's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We were not engaged to report on the other information as listed on the table of contents, which accompany the financial statements but are not required supplementary information. 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.

Restriction on Use

This information is intended solely for the use of the Board of Trustees and management of the Poplar Bluff Municipal Library, and is not intended to be and should not be used by anyone other than these specified parties.

Kraft, Miles & Tatum, LLC

Certified Public Accountants

March 17, 2017