

POPLAR BLUFF MUNICIPAL LIBRARY
POPLAR BLUFF, MISSOURI

FINANCIAL STATEMENTS

DECEMBER 31, 2019

Poplar Bluff Municipal Library District

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Poplar Bluff Municipal Library District

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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, 2019, 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, 2019, 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 3-13, the budgetary comparison information and related notes on pages 33-34, and the schedule of changes in net pension liability, the schedule of contributions, and notes to the schedule of contributions on pages 35-37, which are the responsibility of management, are presented 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 April 30, 2020, 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 solely 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
April 30, 2020

**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, 2019. 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. The library receives donations throughout the year. These and other sources of revenue include grants, memorials, sales of used book donations, special and unrestricted donations, monetary support for programming, passport fees, state aid and arts and entertainment monies received from the state of Missouri. Library book sales and donations paid for many children's and adult programming events including materials for story time, Shakespeare Festival St. Louis performance of Romeo and Juliet, Book Club purchases, movie showings, crafting classes, Music on the Lawn, Teen Hangouts, etc.
5. A 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.

The mission is used to determine promotion of community events, programming development and execution, hiring, and budgeting. Using it as a tool has been effective as reflected in the library's statistical reporting.

6. The Board of Trustees adopted a Vision Statement on June 3, 2019:

Promoting Libraries to Make Our Communities Stronger

This vision reflects the library's support of Missouri libraries by involving staff in professional organizations, its use of the Mid-American Library Alliance courier services, membership in the Missouri Evergreen Consortium and support of other local libraries.

7. The Teen Nook was a new initiative. It is an outgrowth of the library's young adult section which was moved to the main floor separating it from early childhood and elementary age services. This provides a maker space complementing local schools' maker spaces adding a service not seen in this community. The Teen Nook includes audio and video recording equipment with a special room set aside for these services. In the Young Adult section equipment, software, and furnishings were added for editing audio and video. With the gaming station and graphic reading materials available there are furnishings for equipment, additional seating and study tables at the south end of the main floor. The combination of teen focused equipment and furnishings with seating allows the library staff to increase programming such as teen hangout nights and open mic night for all ages with other performance programming. These services help to fulfill the library's mission enhancing social and cultural needs in the community. The amount spent to launch the Teen Nook across FY18 and FY19 totaled \$23,694. Funds used included monies from the operating budget, Montgomery Foundation "Beyond the Pages" grant administered by the Friends of the Library, other Friends of the Library donations, and book sale monies.
8. Library management continued to expend efforts in the development and honing of policies and procedures for the improvement of services to patrons and library personnel and improving the library's financial position. Policies revised in 2019 included Code of Conduct, Unattended Child, Collection Development, Social Media, and Circulation. New policies are Blood Borne Pathogens, Part-time benefits to include Dental and Vision Care and Holiday Pay, Records Retention, Investment, and Facilities System Management. All policy additions and changes are approved by the Library Board of Trustees. In addition, the Board of Trustees approved revisions of its By-Laws. The By-Laws were reviewed by Library legal counsel.
9. The Board of Trustees renewed the Library's contract with Kennedy, Kennedy, Robbins, and Yarbrow for continuity of services regarding current legal matters.
10. Building maintenance continues to be a high priority. The Mini-Split Unit was replaced in Technical Services. Some painting on the exterior and interior were completed. In addition signage has been added to the campus. This includes signage related to non-smoking on premises. A replacement interior/exterior security camera system was installed in February. Five bathrooms received some renovations including new mirrors, counters, handicap rails, and paper product dispensers.
11. City of Poplar Bluff Parks and Recreation and the Library partnered together on two projects. The projects were a story time trail in Hendrickson Park and two Little Free Libraries at Ferguson Grove and Wheatley School. Costs for these projects were divided equally between the library and Parks and Recreation. The library maintains the Little Free Libraries. Parks and Recreation maintains the reading path.
12. Revenues for 2019 were up by 3.2 percent over 2018. Revenue includes sales tax, patron services, gifts, interest, and passport services. Sales tax receipts were up by 3 percent.
13. The library paid \$128,821 to the City of Poplar Bluff for the library's portion of the Eight Points Tax Increment Financing (TIF) for the period November 1, 2018 (billed after January 1, 2019) through December 31, 2019. This is \$26,101 more than was paid in 2018. This obligation continues through 2035 or completion of City bond payments.
14. In August 2019 at a special closed meeting, the Board of Trustees authorized the Board President and Director to negotiate a purchase price for the property 3390 Kanell Boulevard. Under advice of legal counsel, the seller had to agree to the purchase price with an approved

- bond and to petition the City of Poplar Bluff to annex the property into the city limits. The seller agreed to the purchase price with the stipulation that the library would receive proper financing and agreed to seek annexation. The agreed purchase price was \$479,900. The appraised value of the property is \$500,000. Closing costs and a 20 percent down payment were \$103,239. This purchase was approved by the Board of Trustees on November 25, 2019. The library closed on November 25, 2019. Monthly payments are handled by automatic withdrawals. The lender is Southern Bank and Scott Robbins, library legal counsel and Gilmore and Bell handled legal documents in regard to the purchase and bond.
15. Fiscal Year 2019 ended with an unassigned cash balance of \$163,208 with total bank balances of \$1,471,227. The library's General Revenue bank balance at year's end was \$647,122. This was down from \$796,592 in 2018. This was due to moving \$300,000 into CD's after bids were solicited from local financial institutions. Total interest earned on all accounts in 2019 is \$18,800. The total banks' balances provide enough funds to operate for more than one year at the library's current spending levels and meets the Finance Policy reserve amount of 90 percent of the previous year's budget.

Overview of the Financial Statements

This discussion and analysis is provided as an introduction to the basic financial statements. The basic financial statements consist of three components: government-wide financial statements, fund financial statements, and notes to the financial statements.

The Library's financial statements are summarized for the years 2018 and 2019. Currently, the Library is unique in Missouri and is the only library funded solely by sales tax. Other Missouri libraries collect sales tax but continue to collect property tax as well. 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 financial statements. The *government-wide financial statements* are a broad overview of the Library's finances in a manner similar to a private business.

The *statement of net position* presents all of the Library's assets and liabilities with the difference reported as *net position* using the modified cash basis of accounting. Net position is an important measure of the Library's overall financial health. The increases and decreases in net position can be monitored to determine whether the Library's financial position is improving or deteriorating.

The *statement of activities* presents information showing how the Library's net position changed during the most recent fiscal year. All changes in net position are reported on the modified cash basis of accounting.

Both of the government-wide financial statements report as follows:

- **Governmental activities** – All of the Library’s basic services are considered to be governmental activities. These activities are supported primarily with general revenue such as sales taxes, fines and specific program revenue (i.e. patron service and grants).

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. The Library uses fund accounting to ensure compliance with finance-related legal requirements.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the Library’s near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Financial Analysis of the Library as a Whole

Net Position

The following table reflects the condensed schedule of net position as of December 31, 2019 and 2018:

Poplar Bluff Municipal Library District Statement of Net Position – Modified Cash Basis

	Governmental Activities	
	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 1,471,228	1,307,151
Capital assets	561,036	-
Total assets	<u>2,032,264</u>	<u>1,307,151</u>
Long-term debt outstanding	368,221	-
Other liabilities	17,203	3,415
Total liabilities	<u>385,424</u>	<u>3,415</u>
Net position:		
Net investment in capital assets	179,895	-
Unrestricted	1,466,945	1,303,736
Total net position	<u>\$ 1,646,840</u>	<u>1,303,736</u>

Net position may serve as a useful indicator of the Library's financial position. As of December 31, 2019, assets exceeded liabilities by \$1.6 million. This is an increase of \$293,105 from the prior year. The largest portion of the Library's net position, \$1.47 million is unrestricted. This reflects the absence of restrictions allowing these funds to be available for future spending to meet the needs of the Library.

The Library's total assets increased \$725,113 during the current fiscal year, while the total liabilities increased \$382,009.

Change in Net Position

The following table reflects the revenues and expenses from the Library's activities as of December 31, 2019 and 2018:

Poplar Bluff Municipal Library District Changes in Net Position – Modified Cash Basis

	Governmental Activities	
	<u>2019</u>	<u>2018</u>
Revenues:		
Program revenues:		
Charges for services	\$ 28,750	25,682
Operating grants and contributions	40,407	47,248
Capital grants and contributions	-	-
General revenues:		
Sales and use taxes	1,284,470	1,247,372
Interest	18,800	10,963
Total revenues	<u>1,372,427</u>	<u>1,331,265</u>
Expenses:		
General government	1,078,138	1,185,460
Interest	1,184	-
Total expenses	<u>1,079,322</u>	<u>1,185,460</u>
Change in net position	293,105	145,805
Net position, beginning	1,303,736	1,157,931
Prior period adjustment	49,999	-
Net position, ending	<u>\$ 1,646,840</u>	<u>1,303,736</u>

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 93.6 percent of the Library's total revenue. Other income sources included grants, gifts, donations, donated and withdrawn book sales, passport revenue, state aid, interest, fines and fees.

The personnel expense 2019 represents 51.2* percent of total expenditures (2018 for Poplar Bluff was 52.9 percent), while the average of Missouri libraries with a similar service focus for 2018 was 58.7 percent (latest data available). Personnel expenditures as a percentage of budget decreased by 1.7 percent from 2018. Missouri minimum wage increased by state-wide vote in 2018. While government employees were exempt from the minimum wage increase, Poplar Bluff Municipal Library chose to meet the minimum as mandated by law for a non-government entity. This allows the library to maintain competitiveness in the labor market.

*These figures do not include 80 hours of contract labor at a cost of \$960.00.

In July 2019 all employees were given a \$2.00 per hour increase. This raised the library’s minimum compensation to \$9.92 per hour with the state minimum for January 1, 2020 at \$9.45 per hour. In each subsequent year, employees will receive \$1.00 per hour increase in July until the minimum wage meets the state mandate and puts the library in a position to meet future CPI increases as stated in law. These increases address issues of salary compression in relation to minimum wage increases for a few staff and keep wages in line with job descriptions and the library’s grade and step pay schedule. The table below shows the minimum wage increases through 2023 as passed by Missouri voters on Proposition B:

- 2020: \$9.45
- 2021: \$10.30
- 2022: \$11.15
- 2023: \$12
- After 2023, the rate will be indexed and increased according to the Consumer Price Index (CPI).

Labor hours decreased by 1,080 hours or 3.6 percent. This is the second year in a row that labor hours were reduced. Two factors come into play. First, custodial and facilities services were reduced by a net 9 hours per week. Second, with the automation of some processes, staffing is more efficient without decreasing personnel safety or increasing burnout. The ability to run the library with less labor hours gives some flexibility for increasing hours in 2020 when a new branch is opened.

Other areas of growth include ebook, eaudiobooks, etc., with increased checkouts overall for print and electronic resources at 1 percent. This increase is seen in electronic checkouts at an increase of 11 percent for Overdrive and 26 percent for Hoopla. There are strong indicators that physical checkouts are remaining stable. These statistics reflect national trends and recognize the nature of the library’s current borrowers’ needs. As a result, the library has aligned its budgeting to reflect borrowers’ wants.

Additionally, Poplar Bluff Municipal Library outperforms most of its Missouri sister institutions in the areas indicated:

	<u>State Average</u>	<u>Libraries Population 15,000- 29,999</u>	<u>Libraries Population 30,000- 74,999</u>	<u>Poplar Bluff</u>
Circulation per hour	27.43	41.27	42.03	121.34
Circulation per Registered Borrower	10.79	12.15	11.62	24.08
Visits per hour	15.38	22.71	24.36	35.54
Visits per Registered Borrower	6.64	6.49	7.46	7.05
Visits per Legal Service Area	4.26	3.82	3.57	6.17
Collection Turnover	.89	1.15	1.18	2.20

These numbers speak to efficiency of staff performance (see average staff expenditures), staff training, marketing, collection development, technology enhancements, and public support of the library. All of these factors indicate management's and Board of Trustees commitment to listening to its library users regarding services needed and requested. It speaks strongly to its commitment for fulfilling its promises for good service. Particularly telling is the collection turnover which indicates a high usage of a very relevant collection. Staffing performance underscores the necessity of maintaining high morale among staff and good training reducing staffing turnover and the costs associated with hiring and training.

Financial Analysis of the Library's Funds

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.

As of December 31, 2019, the Library's governmental funds report a fund balance of \$1.46 million.

Budgetary Highlights

In 2019, the library adopted its general budget for 2020 at the December meeting a month later than previous years. This was due to the timing of the closing and purchase of property at 3390 Kanell Boulevard. In 2018, the Board of Trustees adopted a general budget at the November Board meeting after it had 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, Technical Services Manager, Adult Services Manager, IT Coordinator, Facilities Coordinator, 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. Built into the budget is a ten percent reserve to cover unexpected decreases in revenue or unexpected expenses. 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 patron demand.

Financial Reports are presented at each board meeting. A Fiscal 2019 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 percentages 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 and bank balances in relationship to expenditures. 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 work diligently to keep the overall budget in line with the projected budget. The library operates with a ten percent hold back until December 2019. Based upon revenues and donations, the ten percent hold was released in December. Budget balances spent year to date were well below revenue projections and were within the parameter of the October 2019 revised budget. This allowed the staff to meet ebook demands and fulfill holds for patrons.

Capital Asset and Debt Administration

Capital Assets

The Library’s investment in capital assets for its governmental activities as of December 31, 2019 amounts to \$561,036 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and furniture, fixtures and equipment.

Major capital events during the year ended December 31, 2019 included the following:

- Purchase of building and land for branch location for \$479,900.

**Poplar Bluff Municipal Library District
Capital Assets
(amounts expressed, net of accumulated depreciation)**

	Governmental Activities	
	2019	2018
Land	\$ 175,000	-
Buildings and improvements	339,627	-
Furniture, fixtures and equipment	46,409	-
Total	\$ 561,036	-

For additional information on capital assets, see note 4 in the notes to financial statements.

Debt Administration

As of December 31, 2019, the Library had a total of \$381,141 of outstanding debt.

**Poplar Bluff Municipal Library District
Outstanding Debt**

	Governmental Activities	
	<u>2019</u>	<u>2018</u>
Library Bonds	\$ 381,141	-
Total	\$ <u>381,141</u>	-

For additional information on debt administration, see note 5 in the notes to financial statements.

Economic Factors and Next Year’s Budget

The Library considered many factors when setting the fiscal year 2019 budget. One of the factors is the local economy and anticipated tax revenue 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 both growth in tax revenue and reserve fund growth. On average sales tax has grown between 1 and 2 percent except in the economic downturn of 2008-2009. The 2019 budget was conservatively estimated to grow at 2 percent for purposes of the 2019 budget build. Actual revenue growth was 3.1 percent. In October, the budget was adjusted to compensate for the original growth projection. The Library recognizes the need for expanded and improved library service according to its goals and the growth of the City of Poplar Bluff while actual revenue is shrinking. A part of the library’s strategic plan will include the need for additional revenue streams and protection of its reserves.

With the interest increase for General Revenue and Reserve Fund banking accounts given by Southern Bank in 2018 plus the library’s investment of \$100,000 each for 3 month, 6 month, and 12 month CD’s at First Missouri Bank. Interest income increased in 2019 by \$7,837.32 or 71.5 percent. Passport revenue continues to grow. In 2019 this revenue increased by \$1,945.27. The United States Department of State has partnered with public libraries for providing additional passport services for eligible applicants. All staff except business and facility services personnel must be trained to process applications after six months of employment. Staff are trained and are certified through testing by the Department of State. This ensures the services are available all hours the library is open. Each passport application generates \$35.00 in fees covering postage and labor. The rate is set by the Department of State. Total revenue generated was \$9,520.81.

The library’s continued relationship with Missouri Evergreen’s 46 member 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 22,651 items borrowed or lent compared to 20,768 in 2017. This is a 9 percent increase. Items borrowed by Poplar Bluff patrons allowed for a purchasing cost avoidance in excess of \$329,345. Poplar Bluff Municipal Library lending is up for OCLC and Missouri Evergreen by 5 percent and 11 percent respectively. OCLC borrowing is down by 39 percent. This represents a savings in postage and packaging as materials are shipped using state-wide courier services. Missouri Evergreen's growth allows the library to use the State Library LSTA courier service for lending. This is a cost savings approximating \$15,000.00. Additionally the library ranked continuously in the top eight among 102 Missouri libraries in eresource checkouts among in MoLib2Go a consortium providing electronic books, audiobooks, videos, and magazines. Borrowing numbers exceeded usage by library systems twice its size. The library has grown by 26 percent in Hoopla borrowing and 11 percent for Overdrive eresources. This growth has been a trend for at least 5 years. Currently, with its membership in Missouri Evergreen and ecollection, Poplar Bluff's library patrons have access to the largest library collection in Missouri including St. Louis and Kansas City SMA's. As a result, knowledgeable staff assistance is vital for helping our patrons make the most of these valuable resources and efficient use of the collections with properly trained staff to manage Interlibrary Loan and Courier services.

The library continues to use volunteers for projects providing greater patron access to all staff. 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 managing library growth in a fiscally responsible manner. Volunteer hours grew by 56 percent in 2019.

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 labor hour reductions mentioned previously testify to the increased efficiency while services have grown. As the library adds a branch in 2020, staff efficiency and the use of technology to grow services will continue to have high priorities.

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 John Stanard, 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, 2019

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and cash equivalents	\$ 1,268,547
Certificates of deposit	<u>202,681</u>
Total current assets	<u>1,471,228</u>
Noncurrent assets:	
Capital assets	
Non-depreciable	175,000
Depreciable, net	<u>386,036</u>
Total noncurrent assets	<u>561,036</u>
Total assets	<u><u>\$ 2,032,264</u></u>
 <u>Liabilities</u>	
Current liabilities	
Accrued payroll withholdings	\$ 4,283
Current maturities of long-term debt	<u>12,920</u>
Total current liabilities	<u>17,203</u>
Noncurrent liabilities	
Long-term debt	<u>368,221</u>
Total noncurrent liabilities	<u>368,221</u>
Total liabilities	<u><u>\$ 385,424</u></u>
 <u>Net position</u>	
Net investment in capital assets	\$ 179,895
Unrestricted	<u>1,466,945</u>
Total net position	<u><u>\$ 1,646,840</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, 2019

<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	\$ (1,078,138)	28,750	40,407	(1,008,981)
Interest on long-term debt	(1,184)	-	-	(1,184)
Total governmental activities	<u>\$ (1,079,322)</u>	<u>28,750</u>	<u>40,407</u>	<u>(1,010,165)</u>
General Revenues:				
				\$ 1,284,470
				18,800
				1,303,270
				293,105
				1,303,736
				49,999
				<u>\$ 1,646,840</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, 2019

	<u>General Fund</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 1,268,547
Certificates of deposit	<u>202,681</u>
Total assets	<u><u>\$ 1,471,228</u></u>
 <u>Liabilities and fund balances</u>	
Liabilities:	
Accrued payroll withholdings	<u>\$ 4,283</u>
Total liabilities	<u>4,283</u>
 Fund Balance:	
Assigned to:	
Library reserves	516,341
Unassigned	<u>950,604</u>
Total fund balance	<u>1,466,945</u>
Total liabilities and fund balances	<u><u>\$ 1,471,228</u></u>

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

Poplar Bluff Municipal Library District, Missouri
 Reconciliation of the Governmental Funds
 Balance Sheet - Modified Cash Basis
 to the Statement of Net Position - Modified Cash Basis
 December 31, 2019

Amounts reported for governmental activities in the statement of net position are different

Total fund balance - total governmental funds	\$	1,466,945
---	----	-----------

Capital assets used in governmental activities
 are not current financial resources and therefore
 are not reported in the governmental funds.

Governmental capital assets	\$	587,001	
Less: accumulated depreciation		<u>(25,965)</u>	
			561,036

Certain long-term liabilities of notes and bonds payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	(381,141)
--	-----------

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	<u>-</u>
---	----------

Net position of governmental activities	<u><u>\$ 1,646,840</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, 2019

	<u>General Fund</u>
<u>Revenues</u>	
Quarter-cent sales tax	\$ 1,284,470
Patron services	28,750
State aid and grants	10,980
Gifts and contributions	29,427
Interest	18,800
Total revenue	1,372,427
 <u>Expenditures</u>	
Current:	
Personnel	619,841
Operating expenses	347,883
Library materials	102,290
Capital outlay	519,161
Debt service	
Principal	2,859
Interest	1,184
Total expenditures	1,593,218
Excess of revenues over expenditures	(220,791)
Other financing sources (uses)	
Loan/bond proceeds	384,000
Total other financing sources (uses)	384,000
Net change in fund balance	163,209
Fund balance, beginning	1,303,736
Fund balance, ending	\$ 1,466,945

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

Poplar Bluff Municipal Library District, Missouri
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balances - Modified Cash Basis of Governmental Funds to the
 Statement of Activities - Modified Cash Basis
 For the Year Ended December 31, 2019

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - total governmental funds	\$ 163,209
Governmental funds report capital outlays as expenditures.	
However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	511,037
The issuance of long-term debt (e.g., bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.	
	(381,141)
Interest expense on long-term debt is not accrued in governmental funds, but rather is recognized as an expense when due.	
	<u> -</u>
Change in net position of governmental activities	<u><u>\$ 293,105</u></u>

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

Poplar Bluff Municipal Library District

Notes to Financial Statements

December 31, 2019

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 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.

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, 2019

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 and capital assets are recorded as assets and payroll withholdings and long-term debt are reported as liabilities.

As a result of the use of this modified cash basis of accounting, certain assets (such as accounts receivable), certain revenues (such as revenue for billed or provided services but not yet collected), certain liabilities (such as accounts payable) 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, 2019

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. Assets, Liabilities, Net Position or Fund Equity

Cash and Cash Equivalents

For the purpose of financial reporting, the Library considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

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, 2019, the only investments held by the Library were certificates of deposit with a maturity of greater than three months.

Capital Assets

Capital assets in service are stated at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Capital assets are reported in the government-wide financial statements. Capital assets are defined with an individual cost of \$1,500 or more and an estimated useful life in excess of one year.

The costs of normal maintenance and repairs that do not enhance functionality or materially extend the life of an asset are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10-50 years
Furnitures, fixtures, and equipment	3-20 years

In the fund financial statements, capital assets acquired for use in governmental fund operations are accounted for as capital outlay expenditures upon acquisition.

Long-Term Debt

All long-term debt arising from cash transactions to be repaid are reported as liabilities in the government-wide statements. Presently, the Library's long-term debt consists primarily of a library bond for the purchase of its branch location.

Poplar Bluff Municipal Library District

Notes to Financial Statements

December 31, 2019

Long-term debt arising from cash transactions are not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principal and interest as expenditures.

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.

Poplar Bluff Municipal Library District

Notes to Financial Statements

December 31, 2019

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.

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. For the fiscal year ended 2019, the Library paid to the City of Poplar Bluff \$128,821 for the TIF. Currently, the scheduled completion of repayment is August 5, 2035.

3. Cash and Investments

Custodial Credit Risk

Deposits in financial institutions, reported as components of cash and cash equivalents and certificates of deposit, had a bank balance of \$1,515,940 and a carrying value of \$1,471,228 at December 31, 2019. These deposits were fully insured by depository insurance or secured with collateral held by the Library's agents in its name.

Poplar Bluff Municipal Library District
Notes to Financial Statements
December 31, 2019

4. Capital Assets

Activity for capital assets is summarized as follows:

	<u>Balance at</u> <u>12/31/18</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at</u> <u>12/31/19</u>
Capital assets, not being depreciated				
Land	\$ -	175,000	-	175,000
Total capital assets, not being depreciated	<u>\$ -</u>	<u>175,000</u>	<u>-</u>	<u>175,000</u>
Capital assets, being depreciated				
Buildings and improvements	\$ 17,961	327,959	-	345,920
Furniture, fixtures, and equipment	49,879	16,202	-	66,081
Total capital assets, being depreciated	<u>67,840</u>	<u>344,161</u>	<u>-</u>	<u>412,001</u>
Less accumulated depreciation for:				
Buildings and improvements	4,771	1,522	-	6,293
Furniture, fixtures, and equipment	13,070	6,602	-	19,672
Total accumulated depreciation	<u>17,841</u>	<u>8,124</u>	<u>-</u>	<u>25,965</u>
 Total capital assets, being depreciated, net	 <u>\$ 49,999</u>	 <u>336,037</u>	 <u>-</u>	 <u>386,036</u>

5. Long-Term Debt

The following is a summary of long-term debt transactions for the Library for the year ended December 31, 2019.

	<u>Balance at</u> <u>12/31/18</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at</u> <u>12/31/19</u>	<u>Current</u> <u>Portion</u>
Library Bonds	\$ -	384,000	2,859	381,141	12,920
Total long-term debt	<u>\$ -</u>	<u>384,000</u>	<u>2,859</u>	<u>381,141</u>	<u>12,920</u>

Bonds Payable

On November 26, 2019, the Library approved the issuance of a Library Bond in the amount of \$384,000. The bond bears interest at 3.70% and 3.78%. Principal and interest payments are due in monthly installments until December 2039. Proceeds from the bond were used for the purchase of land and a building for the Library's branch location.

Poplar Bluff Municipal Library District

Notes to Financial Statements

December 31, 2019

Debt Service Requirement to Maturity

<u>Year</u>	<u>Governmental Activities</u>		<u>Total Debt Service Requirements to Maturity</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 12,920	14,425	12,920	14,425
2021	13,658	13,687	13,658	13,687
2022	14,179	13,166	14,179	13,166
2023	14,720	12,624	14,720	12,624
2024	15,247	12,097	15,247	12,097
2025-2029	85,192	52,289	85,192	52,289
2030-2034	103,162	34,319	103,162	34,319
2035-2039	122,063	12,557	122,063	12,557
Totals	<u>\$ 381,141</u>	<u>165,164</u>	<u>381,141</u>	<u>165,164</u>

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, grounds, and parking lot, and its systems from sales tax revenue. Since 2013, the Library has expended \$923,775 in building repairs, maintenance, and insurance. The Library has also expended \$930,962 in Historical Operations and TIF Payments to the City of Poplar Bluff. These figures exclude maintenance personnel costs.

7. 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.

Poplar Bluff Municipal Library District

Notes to Financial Statements

December 31, 2019

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.

	<u>2019 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, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>7</u>
	<u>8</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 4.0% of their gross pay to the pension plan. Employer contribution rates are 7.9% of annual covered payroll.

Poplar Bluff Municipal Library District

Notes to Financial Statements

December 31, 2019

Net Pension Liability. The employer's net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2019.

Actuarial assumptions. The total pension liability in the February 28, 2019 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%, net of investment expenses

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.

The actuarial assumptions used in the February 28, 2019 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	35.00%	4.78%
Fixed Income	31.00%	1.41%
Real Assets	36.00%	3.29%
Strategic Assets	8.00%	5.25%

Poplar Bluff Municipal Library District

Notes to Financial Statements

December 31, 2019

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:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/18	\$ 303,238	211,263	91,975
Changes for the year:			
Service cost	32,814	-	32,814
Interest	22,205	-	22,205
Difference between expected and actual experience	(50,613)	-	(50,613)
Changes in assumptions	(5,255)	-	(5,255)
Contributions - employer	-	23,570	(23,570)
Contributions - employee	-	11,794	(11,794)
Net investment income	-	15,468	(15,468)
Benefit payments, including refunds	(17,906)	(17,906)	-
Administrative expense	-	(967)	967
Other changes	-	(401)	401
Net changes	(18,755)	31,558	(50,313)
Balances at 12/31/19	<u>\$ 284,483</u>	<u>242,821</u>	<u>41,662</u>

Sensitivity of the net pension liability to changes in the discount rate. The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	Current Single Discount Rate		
	1% Decrease 6.25%	Assumption 7.25%	1% Increase 8.25%
Total Pension Liability	\$ 342,608	284,483	237,720
Plan Fiduciary Net Position	<u>242,821</u>	<u>242,821</u>	<u>242,821</u>
Net Pension Liability	<u>\$ 99,787</u>	<u>41,662</u>	<u>(5,101)</u>

Poplar Bluff Municipal Library District

Notes to Financial Statements

December 31, 2019

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

For the year ended December 31, 2019, had the financial statements been prepared in accordance with generally accepted accounting principles (GAAP), the employer would have recognized a pension expense of \$28,113. 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	\$ 26,788	(48,373)
Differences in assumptions	12,003	(4,774)
Excess (deficit) investment returns	-	(4,888)
Contributions subsequent to the measurement date*	<u>13,200</u>	<u>-</u>
Total	<u>\$ 51,991</u>	<u>(58,035)</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, 2020.

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

Year Ended:	
2020	\$ (1,202)
2021	(2,515)
2022	(1,551)
2023	(12)
2024	(98)
Thereafter	<u>(13,866)</u>
	<u>\$ (19,244)</u>

Payable to the Pension Plan

At December 31, 2019, the Library reported a payable of \$2,075 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2019.

Poplar Bluff Municipal Library District

Notes to Financial Statements

December 31, 2019

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 2019 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, Cass County Library, Crawford County Library, De Soto County Public Library, Doniphan-Ripley County Library, Douglas County Library, Dulany Memorial Library, Festus Public Library, Grundy County Jewett Norris Library, Howard County Public Library, Jefferson County Library, Lebanon-Laclede County Library, Little-Dixie Regional Libraries, Livingston County Library, Marion County Public Library, Marshall Public Library, Mountain View Public Library, North Kansas City Public Library, Ozark Regional Library, Polk County Public Library, Pulaski County Public Library, Riverside Regional Library, Ste. Genevieve County Public Library, Salem Public Library, Scenic Regional Library, Schuyler County Library District, Sikeston Public Library, Stone County Library, Texas County Library, Trails Regional Library, Washington Public Library, Webb City Public Library, Webster County Library, Willow Springs Public Library, and Wright County Library.

Missouri Evergreen was hosted by MOBIUS until August 31, 2019. After that date it is hosted by Equinox. Missouri Evergreen Consortium bid out hosting services, as required, every three years by the Missouri State Library. AMIGOS via bid provides financial services to Missouri Evergreen. Website hosting is managed by MORENet for free. The Library pays a yearly licensing fee for the Missouri Evergreen ILS. In 2019, the Library paid \$4,926 for Missouri Evergreen maintenance fees. In addition, the Library purchases a shared subscription to MARCIVE, Syndetics, and Novelist for enhanced library catalog content and shared authority control services for all Missouri Evergreen libraries.

The Library can withdraw from the Consortium at any time and would pay a one-time fee to extract the Library's data (resource and patron). All hardware for the use of this system on the Library's site is owned and operated by the Library.

9. 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.

10. Related Party Transactions

The Library has no transactions with related parties.

Poplar Bluff Municipal Library District

Notes to Financial Statements

December 31, 2019

11. 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.

12. Subsequent Events

Management has evaluated subsequent events through April 30, 2020, which is the date that the financial statements were available to be issued.

13. Prior Period Adjustment

In November 2019, the Poplar Bluff Municipal Library District issued Library Bonds for the purchase of land and a building for their branch location. As a result, management decided to report capital assets and long term debt on the government wide Statement of Net Position. A prior period adjustment of \$49,999 is reported to recognize the prior year capital asset activity.

Poplar Bluff Municipal Library District
 Budgetary Comparison Schedule (Unaudited)
 General Fund
 For the Year Ended December 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	Variance with Final Budget - Positive/ <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Quarter-cent sales tax	\$ 1,155,000	1,240,000	1,284,470	44,470
Fines, fees and services	22,500	26,500	28,750	2,250
State aid and grants	-	-	10,980	10,980
Gifts and contributions	-	-	29,427	29,427
Interest	-	18,000	18,800	800
Total revenues	<u>1,177,500</u>	<u>1,284,500</u>	<u>1,372,427</u>	<u>87,927</u>
<u>Expenditures</u>				
Current:				
Personnel	712,715	661,215	619,841	(41,374)
Operating expenses	348,100	409,200	347,883	(61,317)
Library materials	84,500	84,500	102,290	17,790
Capital outlay	5,000	111,670	519,161	407,491
Principal	-	-	2,859	2,859
Interest	-	-	1,184	1,184
Total expenditures	<u>1,150,315</u>	<u>1,266,585</u>	<u>1,593,218</u>	<u>(326,633)</u>
Excess of revenues over expenditures	<u>27,185</u>	<u>17,915</u>	<u>(220,791)</u>	<u>(238,706)</u>
Other financing sources (uses)				
Loan/bond proceeds	-	-	384,000	384,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>384,000</u>	<u>384,000</u>
Net change in fund balance	<u>\$ 27,185</u>	<u>17,915</u>	<u>163,209</u>	<u>145,294</u>
Fund balance, beginning			<u>1,303,736</u>	
Fund balance, ending			<u>1,466,945</u>	

Poplar Bluff Municipal Library District
Notes to Budgetary Comparison Information (Unaudited)
December 31, 2019

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, 2019

<i>Fiscal year ending December 31,</i>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability					
Service cost	\$ 32,814	\$ 33,532	28,762	29,184	28,550
Interest on the total pension liability	22,205	18,487	13,601	10,329	7,151
Difference between expected and actual experience	(50,613)	6,831	23,050	(3,776)	9,268
Assumption changes	(5,255)	5,863	-	11,450	-
Benefit payments, including refunds	(17,906)	-	(709)	(2,942)	-
Net change in total pension liability	(18,755)	64,713	64,704	44,245	44,969
Total pension liability, beginning	<u>303,238</u>	<u>238,525</u>	<u>173,821</u>	<u>129,576</u>	<u>84,607</u>
Total pension liability, ending	<u>284,483</u>	<u>303,238</u>	<u>238,525</u>	<u>173,821</u>	<u>129,576</u>
Plan Fiduciary Net Position					
Contributions-employer	23,570	28,674	24,955	18,332	17,611
Contributions-employee	11,794	14,706	14,292	11,653	12,561
Pension plan net investment income	15,468	20,027	13,345	-292	996
Benefit payments, including refunds	(17,906)	-	(709)	(2,942)	-
Pension plan administrative expense	(967)	(769)	(759)	(674)	(653)
Other	(401)	(1,103)	(888)	-582	3,800
Net change in plan fiduciary net position	31,558	61,535	50,236	25,495	34,315
Plan fiduciary net position, beginning	<u>211,263</u>	<u>149,728</u>	<u>99,492</u>	<u>73,997</u>	<u>39,682</u>
Plan fiduciary net position, ending	<u>242,821</u>	<u>211,263</u>	<u>149,728</u>	<u>99,492</u>	<u>73,997</u>
Employer net pension liability	<u>\$ 41,662</u>	<u>\$ 91,975</u>	<u>88,797</u>	<u>74,329</u>	<u>55,579</u>
Plan fiduciary net position as a percentage of total pension liability	85.36%	69.67%	62.77%	57.24%	57.11%
Covered employee payroll	\$ 299,524	\$ 372,520	343,006	269,636	330,619
Employer's net pension liability as a percentage of covered employee payroll	13.91%	24.69%	25.89%	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, 2019

<i>Fiscal year ending December 31,</i>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 25,583	26,041	30,013	21,103	20,804
Contributions in relation to the actuarially determined contribution	<u>25,583</u>	<u>26,041</u>	<u>26,797</u>	<u>21,103</u>	<u>18,941</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>3,216</u>	<u>-</u>	<u>1,863</u>
Covered employee payroll	\$ 323,832	321,499	357,296	324,661	310,503
Contributions as a percentage of covered employee payroll	7.90%	8.10%	7.50%	6.50%	6.10%
<i>Fiscal year ending December 31,</i>	<u>2014</u>	<u>2013</u>			
Actuarially determined contribution	\$ 15,285	9,401			
Contributions in relation to the actuarially determined contribution	<u>15,285</u>	<u>9,401</u>			
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>			
Covered employee payroll	\$ 299,710	195,862			
Contributions as a percentage of covered employee payroll	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, 2019

Valuation Date:	February 28, 2019
Notes:	The roll-forward of total pension liability from February 28, 2019 to June 30, 2019 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 and Modified Terminal Funding
Amortization Method	A level percentage of payroll amortization method is used to amortize the UAAL over a closed period of years. If the UAAL (excluding the UAAL associated with benefit changes) is negative, then this amount is amortized over the greater of (i) the remaining initial amortization period or (ii) 15 years.
Remaining Amortization Period	Multiple bases from 11 to 23 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 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:	None



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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, 2019, 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 April 30, 2020. 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

April 30, 2020