

**REPORT OF
DANIEL BOONE REGIONAL LIBRARY
DECEMBER 31, 2019**

DANIEL BOONE REGIONAL LIBRARY

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Daniel Boone Regional Library

We have audited the accompanying financial statements of the governmental activities and the major fund of the Daniel Boone Regional Library (the System) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents. We also have audited the Non-GAAP Budgetary Basis Statement of Revenues and Expenditures of the System's governmental fund as listed in the table of contents for the year ended December 31, 2019, as displayed in the System's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles and the budgetary basis of accounting, as appropriate; this includes 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 U.S. generally accepted auditing standards. 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 includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the System as of December 31, 2019, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles, and the budgetary comparison for the General Fund for the year then ended in conformity with the budgetary basis of accounting.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and the pension plan schedules as listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

William K. Kepler UC

May 5, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Daniel Boone Regional Library (the System), we offer this narrative overview and analysis of the financial activities of the Daniel Boone Regional Library for the year ended December 31, 2019. The System consists of two political subdivisions: the Callaway County Library District and the Columbia and Boone County Library District, which have signed a regional contract under the authority of Revised Statutes of Missouri (RSMo) 70.210. We encourage the readers to consider this Management's Discussion and Analysis (MD&A) in conjunction with the System's financial statements, which follow this MD&A.

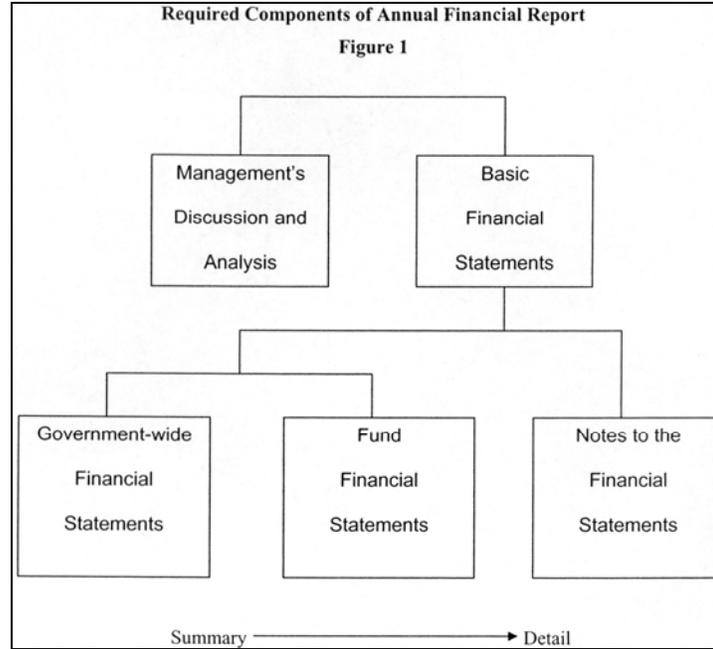
Financial Highlights

- The System's total assets exceeded its liabilities on December 31, 2019 by \$35,982,532 (see Exhibit 1). This represented a decrease of (\$1,352,686) from the net position at December 31, 2018 (see Exhibit 2). The net position includes spendable resources as well as the investment in buildings, collections and other capital assets (net of related debt) of \$16,513,492 and funds of \$9,540 that can only be used for grant and donation spending. Included in unrestricted net position are 2019 property taxes that, although due as of December 31, 2019, were not collected and, as such, will not be expended until 2020.
- The System's total liabilities decreased (\$361,375) from the prior year as shown in Figure 2.
- As of December 31, 2019, the System's only governmental fund, its General Fund, reported a fund balance of \$19,037,393, a decrease of (\$993,785) in comparison to the prior year (see Exhibits 3 and 4). The portion of the total fund balance for the General Fund that is unassigned and available for spending at the System's discretion is \$12,823,702, which includes \$9,318,737 in property taxes receivable.
- Within the System's General Fund, total actual revenues were \$808,010 more than the 2019 final budget, while total actual expenditures were \$1,640,401 more than the 2019 final budget (see Exhibit 5).
- The System joined the Missouri Local Government Employees Retirement System (LAGERS) on April 1, 2019. The System is required to contribute amounts equal to the actuarially determined rate, as established by LAGERS. Employer contribution rates were 14.1% of annual payroll effective April 1, 2019 through May 31, 2019, and 11.8% of annual payroll effective June 1, 2019.

Overview of the Financial Statements

The System's basic financial statements consist of three components: 1) *government-wide financial statements*, 2) *governmental fund financial statements* and 3) *notes to the financial statements*.

Figure 1 illustrates the components of a typical annual financial report.



Basic Financial Statements

Government-wide Financial Statements:

The *government-wide financial statements* (Exhibits 1 and 2) provide both short and long-term information about the System's financial status. These financial statements present a broad overview of the System's finances, similar in format to financial statements of a private-sector business.

The *Statement of Net Position* (Exhibit 1) presents financial information on all of the System's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the System is improving or deteriorating.

The *Statement of Activities* (Exhibit 2) presents information showing how the System's net position changed during the most recent year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows, as defined under the full accrual accounting basis. Thus, revenues and expenses are reported for some items that will only result in cash flows in future periods (i.e., uncollected taxes).

Governmental Fund Financial Statements:

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

The *governmental fund financial statements* focus on the activities of the System's individual governmental funds and are divided into two parts: 1) the "modified accrual basis statements" (Exhibits 3 and 4) and the "budgetary basis statement" (Exhibits 5).

Governmental funds (Exhibits 3 and 4) focus on assets that can readily be converted into cash in the short term and liabilities that will be settled in the short term. Governmental funds in the "modified accrual basis statements" are reported using modified accrual accounting, which recognizes expenditures when the liability is incurred and revenue when measurable and available. The modified accrual accounting basis provides a short-term spending focus, which helps the reader assess the amount of financial resources immediately available to finance the System's programs. The System maintains one individual governmental fund, its General Fund.

The System adopts an annual appropriated budget for its General Fund. The "budgetary basis statement" for the General Fund (Exhibit 5) demonstrate how the System complied with the year's approved budget. The "budgetary basis statement" is presented using the same classifications as those used in the legal budget document.

The annual budget shown in the "budgetary basis statement" is prepared as described in Note 1. This budget is presented using the cash basis of accounting for property tax revenue, which means only the tax revenue expected to be received by year-end is budgeted, rather than also including what may be "available" soon after the year-end, as under the modified accrual basis of accounting. Because the cash basis was used to budget property tax revenue, Exhibit 5 includes a reconciliation that illustrates the difference between this statement and the modified accrual basis statements shown in Exhibits 3 and 4.

Comparison of Government-wide and Governmental Fund Financial Statements:

Governmental funds (Exhibits 3 and 4) are used to account for essentially the same functions reported as *governmental activities* (Exhibit 2) in the government-wide financial statements. However, unlike the government-wide financial statements (Exhibit 1 and 2), 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 year. Because the focus of the governmental fund financial statements is narrower than that of the government-wide financial statements (Exhibits 1 and 2), it is useful to compare the information presented for the governmental funds (Exhibits 3 and 4) with the similar information presented for government-wide activities. By doing so, readers may better understand the long-term impact of the System's near-term financing decisions. Both the System's Balance Sheet (Exhibit 3) and the System's Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit 4) provide a reconciliation to facilitate this comparison between governmental funds and governmental activities resulting from the different accounting methods used to prepare the statements.

Notes to the Financial Statements:

Notes to the Financial Statements provide additional information that is essential to fully understand the financial statement data.

Government-wide Financial Analysis:

The Statement of Net Position and the Statement of Activities (Exhibits 1 and 2) present the System's financial information as a whole. Figures 2 and 3 provide summaries of these statements for 2019 and 2018.

**The System's Net Position
Figure 2**

	Governmental Activities	
	2019	2018
Assets:		
Current assets	\$ 19,654,577	\$ 20,620,229
Capital assets, net of depreciation	16,513,492	17,261,901
Total assets	<u>36,168,069</u>	<u>37,882,130</u>
Liabilities:		
Short-term liabilities outstanding	185,537	546,912
Total liabilities	<u>185,537</u>	<u>546,912</u>
Net position:		
Net investment in capital assets	16,513,492	17,261,901
Restricted:		
For grant and donation spending	9,540	17,795
Unrestricted	19,459,500	20,055,522
Total net position	<u>\$ 35,982,532</u>	<u>\$ 37,335,218</u>

Net Position:

The System's assets exceeded its liabilities by \$35,982,532 as of December 31, 2019, a decrease in the System's net position of \$1,352,686 during 2019 (see Figures 2 and 3). Of the net position, \$16,513,492 is invested in capital assets, which includes land, buildings, library materials, furniture and equipment, less related debt. The System uses capital assets to provide services to patrons; consequently, this portion of the net position is not available for future spending. The remaining portions of the System's net position are classified as either restricted or unrestricted. The restricted net position of \$9,540 is the residual equity for grant and donation spending. The unrestricted net position of \$19,459,500 includes \$9,318,737 in property tax revenues not yet received by the System from the counties' tax collectors for 2019 and prior years for taxpayers who reside within the library districts included in the System. While this amount represents collections expected to be received to pay for next year's expenditures, the full accrual basis of accounting requires that the taxes be recognized as revenue in the year for which they are assessed. Other than the decrease in liabilities due to a change in the System's compensated absences policy, amounts are comparable to the prior year.

The System's Changes in Net Position
Figure 3

	Governmental Activities			
	2019		2018	
Revenues:				
Program revenues:				
Charges for services	\$ 58,475	0.5%	\$ 58,989	0.5%
Operating grants and contributions	200,057	1.7%	150,163	1.3%
Capital grants and contributions	309,578	2.6%	182,742	1.6%
General revenues:				
Property taxes	11,034,675	91.1%	10,730,262	92.7%
Investment income	385,210	3.2%	276,669	2.4%
Other	124,003	1.0%	179,895	1.6%
Total revenues	<u>12,111,998</u>	<u>100%</u>	<u>11,578,720</u>	<u>100%</u>
Expenses:				
Salaries and benefits	8,291,360	61.6%	6,037,775	54.1%
Library materials	1,928,379	14.3%	2,016,477	18.1%
General operating	1,152,228	8.6%	963,269	8.6%
Building operations and maintenance	2,092,717	15.5%	2,144,297	19.2%
Total expenses	<u>13,464,684</u>	<u>100%</u>	<u>11,161,818</u>	<u>100%</u>
Change in net position	(1,352,686)		416,902	
Net position, January 1	<u>37,335,218</u>		<u>36,918,316</u>	
Net position, December 31	<u><u>\$ 35,982,532</u></u>		<u><u>\$ 37,335,218</u></u>	

Changes in Net Position:

The System receives 91 percent of its funding from property tax revenues. Salaries and benefits represent 61 percent of the System's total expenditures. Under the method of accounting used for the government-wide financial statements, library books and other collections are capitalized as assets and depreciated over their estimated useful lives. The "library materials" expense reported in Figure 3 represents the depreciation expense on library materials that do meet the criteria for capitalization.

Governmental Fund Financial Analysis

"Modified Accrual Basis Statement" Analysis (Exhibits 3 and 4):

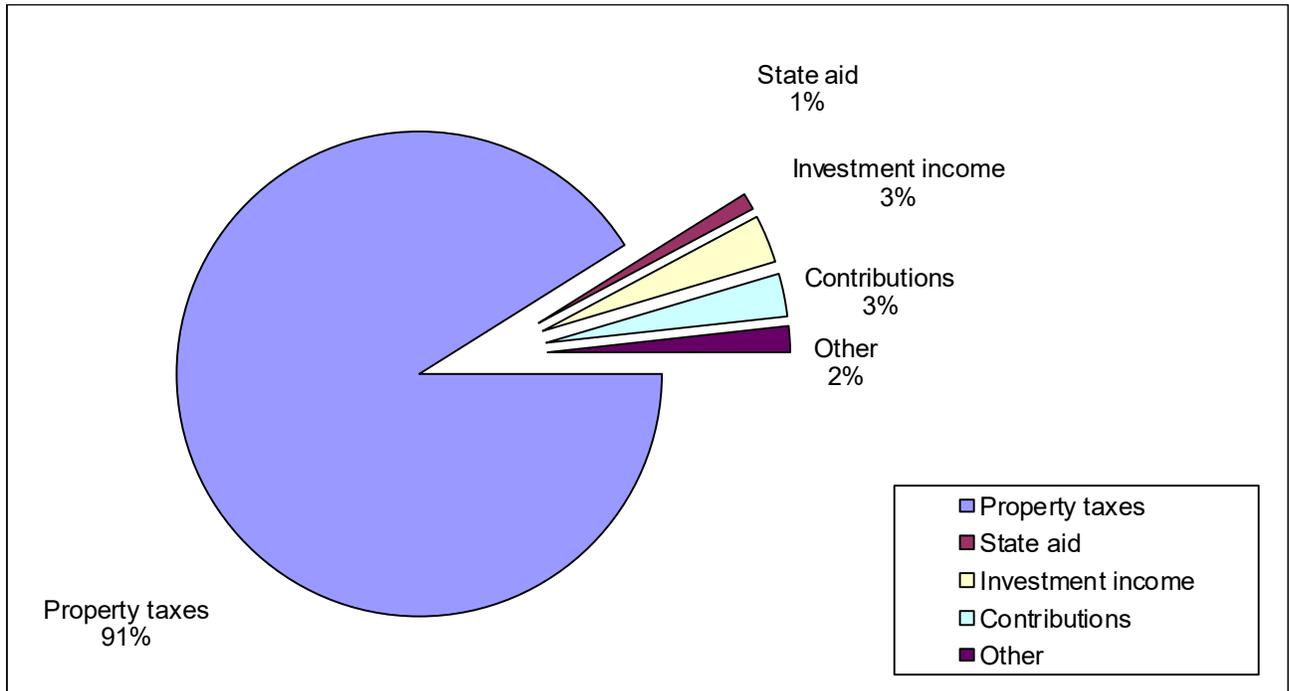
The General Fund is the chief operating fund of the System.

At the end of calendar year 2019, the fund balance of the General Fund was \$19,037,393, which includes \$9,318,737 in property taxes that were due but not yet received by the System (see Exhibit 3). Collections of these property taxes will be budgeted to pay for 2020 expenditures. Also, \$9,540 is restricted for grants and donations unspent at year-end, and \$3,251 and \$345,571 are not available for future spending as they represent inventory on-hand and amounts spent on prepaid expenditures, respectively. A total of \$5,855,329 has been assigned by the System's Board of Trustees to be used for future capital expenditures and the long-range strategic plan needs (see Note 8 of the Notes to the Financial Statements). The remaining unassigned fund balance of \$12,823,702 is available for future spending.

The General Fund balance decreased (\$993,785) in 2019 mainly due to paying \$1.5 million on the LAGERS unfunded pension liability. The System joined LAGERS in April 2019.

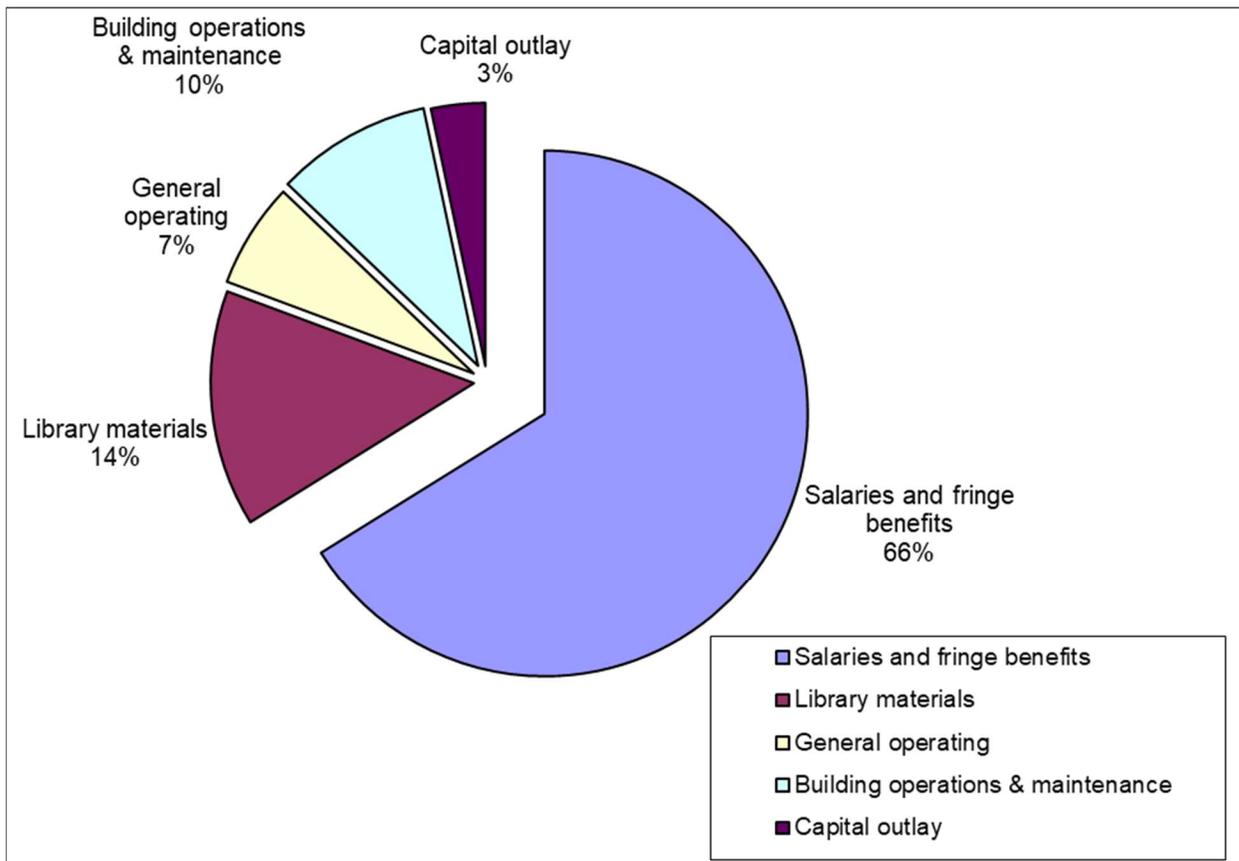
The charts in Figures 4 and 5 depict the percentages of revenue received from each of the General Fund's major revenue sources and the percentages of expenditures incurred for each of the General Fund's major expenditure areas.

General Fund 2019 Revenues
Figure 4



General Fund 2019 Expenditures

Figure 5



“Budgetary Basis Statement” Analysis (Exhibits 5 and 6):

The System also presents revenues and expenditures compared to the legally adopted budget for the General Fund on Exhibit 5. Sometimes circumstances require the budget to be amended. Generally, budget amendments fall into one of three categories: 1) amendments to adjust estimates used to prepare the original budget once more precise information is available; 2) amendments to recognize new funding from external sources, such as grants; or 3) increases in appropriations that become necessary to maintain services. The General Fund budget was amended on February 14, 2019 to record the donations to be received for and the purchase of the Book Rover van and to appropriate for the Holts Summit location’s startup costs. Also, the budget was amended on April 11, 2019 to appropriate \$1.5 million to pay on the LAGERS unfunded pension liability.

Some revenues and expenditures are more susceptible to projecting with reasonable precision and some are more easily controlled than others. With that in mind, the following summarizes General Fund variations that were significant on both a percentage basis and dollar amount basis between the final budget and the actual results for the General Fund (see Exhibit 5).

Revenues:

- **Property Taxes** – Actual property taxes were greater than the final budget because the 2019 final assessed valuation was higher than expected. Also, the System collected more surtax and payment in lieu of tax payments than expected.
- **Investment Income** – Consistent with the requirements of U.S. generally accepted accounting principles, the System’s investments were adjusted to market value as of December 31, 2019. These adjustments resulted in a gain on investments in 2019. Also, more investment income was received than anticipated as a result of earning a higher rate of return than expected.
- **Contributions** – Actual contributions were greater than the final budget because additional donations were received from the Foundation for materials and furniture.

Expenditures:

- **Salaries and Fringe Benefits** – Actual expenditures were less than the final budget because of employee turnover.
- **General Operating** – Actual expenditures were less than the final budget because of needing less for training, printing, professional fees and postage and mailing than anticipated as part of the budget process.
- **Capital Outlay** – Actual expenditures were less than the final budget because of spending less on the Holts Summit location’s startup costs and the System’s computer costs.
- **Contingency** – The System’s policy is to budget for contingencies so that expenditures can be made from unanticipated grants and contribution revenue, and so that emergency expenditures in the other budget categories can be made without exceeding the overall total budgeted expenditures. As a result, the System does not code actual expenditures to this category, but instead codes them to their appropriate categories.

Capital Asset Discussion

The System’s investment in capital assets as of December 31, 2019, totaled \$16,513,492, net of accumulated depreciation (see Figure 6). These assets include buildings, land, furniture, equipment and library collections. Additional information on the System’s capital assets can be found in Note 4 of the Notes to the Financial Statements.

Major capital asset transactions during the calendar year included the following:

- “Construction in Progress” decreased because the Book Rover and the furniture project for the Holts Summit location were completed.
- “Columbia library building” includes \$135,957 for the cost of the cooling tower and air conditioning compressor replacement.
- Automotive equipment includes purchasing the Book Rover and replacing a van with a transit van.
- Various furniture and equipment additions totaled \$110,097. Various furniture and equipment items totaling \$121,918 were sold, discarded or removed from the records, most of which were fully depreciated.
- “Library collection” includes \$964,357 for the cost of materials purchased during the year and a reduction of \$911,212 for the cost of materials disposed of during the year.

**Capital Assets
Figure 6**

	2019	2018
Land	\$ 1,702,265	\$ 1,702,265
Construction in progress	-	52,581
Buildings and improvements	10,765,878	11,496,446
Furniture, fixtures, and equipment	1,113,633	1,048,229
Library collection	2,931,716	2,962,380
	\$ 16,513,492	\$ 17,261,901

Economic Factors and Next Year’s Budget

The Executive Director and staff believe the economic outlook to be uncertain for the upcoming year due to the recent impacts of COVID-19. Staff will be monitoring the situation closely to see if adjustments to next year’s budget will be needed.

When next year’s budget was originally prepared, the 2020 budgeted revenue was projected to increase at a rate sufficient to cover the 2020 budgeted operating expenditures. The System revisited its long-range strategic plan and will continue to implement the results in 2020. The Board of Trustees and staff of the System are committed to maintaining a strong financial position in order to provide excellent library services that meet the needs and reflect the desires of the taxpayers for years to come.

Requests for Information

This report is designed to provide an overview of the System’s finances. Questions concerning any of the information found in this report or requests for additional information should be directed to the Executive Director, Daniel Boone Regional Library, 100 W. Broadway, Columbia, MO 65203.

DANIEL BOONE REGIONAL LIBRARY
STATEMENT OF NET POSITION
DECEMBER 31, 2019

ASSETS

Current assets:

Cash deposits	\$ 721,171
Investments	9,242,571
Receivables:	
Property taxes (net of allowance for uncollectible accounts \$139,140)	9,318,737
Interest	13,087
Other	10,189
Prepaid expenses	345,571
Inventory	3,251

Total current assets	19,654,577
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Capital assets:

Non-depreciable	1,702,265
Other, net of depreciation	14,811,227

Total capital assets	16,513,492
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Total assets	36,168,069
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LIABILITIES

Current liabilities:

Accounts payable	147,441
Salaries payable	38,096

Total current liabilities	185,537
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NET POSITION

Net investment in capital assets	16,513,492
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Restricted

For grant and donation spending	9,540
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Unrestricted	19,459,500
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Total net position	\$ 35,982,532
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See the accompanying notes to the basic financial statements.

**DANIEL BOONE REGIONAL LIBRARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net Expenses and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Governmental activities:					
Program services:					
Salaries and fringe benefits	\$ 8,291,360	\$ -	\$ -	\$ -	\$ 8,291,360
Library materials	1,928,379	-	124,817	135,583	1,667,979
General operating	1,152,228	58,475	75,240	173,995	844,518
Building operations and maintenance	2,092,717	-	-	-	2,092,717
Total	<u>\$ 13,464,684</u>	<u>\$ 58,475</u>	<u>\$ 200,057</u>	<u>\$ 309,578</u>	<u>12,896,574</u>
General revenues:					
Taxes:					
					11,034,675
					385,210
					124,003
					<u>11,543,888</u>
					(1,352,686)
					<u>37,335,218</u>
					<u>\$ 35,982,532</u>

See the accompanying notes to the basic financial statements.

**DANIEL BOONE REGIONAL LIBRARY
BALANCE SHEET
DECEMBER 31, 2019**

	<u>General Fund</u>
ASSETS	
Cash deposits	\$ 721,171
Investments	9,242,571
Receivables:	
Property taxes (net allowance for uncollectible accounts \$139,140)	9,318,737
Interest	13,087
Other	10,189
Prepaid expenditures	345,571
Inventory	3,251
Total assets	<u><u>\$ 19,654,577</u></u>
LIABILITIES	
Liabilities:	
Accounts payable	\$ 147,441
Salaries payable	38,096
Total liabilities	<u>185,537</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue-property taxes	<u>431,647</u>
Total deferred inflows of resources	<u>431,647</u>
FUND BALANCES	
Fund balances:	
Nonexpendable: prepaid expenditures and inventory	348,822
Restricted for:	
Grant and donation spending	9,540
Assigned to:	
Future capital outlay	5,855,329
Unassigned	<u>12,823,702</u>
Total fund balances	<u>19,037,393</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 19,654,577</u></u>

(continued)

Exhibit 3

**DANIEL BOONE REGIONAL LIBRARY
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	(continued)
Reconciliation:	
Fund balances of governmental funds	\$ 19,037,393
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund statements	16,513,492
Deferred inflows of resources in the governmental fund statements are considered earned revenues in the government-wide financial statements	<u>431,647</u>
Net position of governmental activities	<u><u>\$ 35,982,532</u></u>

See the accompanying notes to the basic financial statements.

**DANIEL BOONE REGIONAL LIBRARY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>General Fund</u>
REVENUES	
Property taxes	\$ 11,001,412
State aid	135,583
Grants	27,690
Investment income	385,210
Contributions	346,362
Copier income	13,315
Other	<u>169,163</u>
Total revenues	<u>12,078,735</u>
EXPENDITURES	
Current:	
Program services:	
Salaries and fringe benefits	8,647,605
Library materials	1,897,715
General operating	844,688
Building operations and maintenance	1,248,084
Capital outlay	<u>434,428</u>
Total expenditures	<u>13,072,520</u>
Deficiency of revenues under expenditures	(993,785)
Fund balances-beginning	<u>20,031,178</u>
Fund balances-ending	<u>\$ 19,037,393</u>
	(continued)

See the accompanying notes to the basic financial statements.

**DANIEL BOONE REGIONAL LIBRARY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2019**

(continued)

Reconciliation:
Net changes in fund balances - total governmental funds \$ (993,785)

Amounts reported in the Statement of Activities are different because:

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:

Capital outlay and library material costs in excess of capitalization threshold	1,398,785
Depreciation	(1,853,448)
Loss on disposal of equipment and undepreciated cost of disposed library collections	(293,746)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds:

Change in deferred inflows of resources	33,263
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Change in compensated absences payable	356,245
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Change in net position of governmental activities	\$ (1,352,686)
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**DANIEL BOONE REGIONAL LIBRARY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
(NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Original Budget	Final Budget	Actual	Variance from Final Budget Over (Under)
REVENUES				
Property taxes	\$ 10,489,960	\$ 10,489,960	\$ 11,105,951	\$ 615,991
State aid	120,860	120,860	135,583	14,723
Grants	30,000	30,000	27,690	(2,310)
Investment income	223,900	223,900	385,210	161,310
Contributions	120,000	312,045	346,362	34,317
Copier and printer income	13,400	13,400	13,315	(85)
Other	185,100	185,100	169,164	(15,936)
	<u>11,183,220</u>	<u>11,375,265</u>	<u>12,183,275</u>	<u>808,010</u>
EXPENDITURES				
Current:				
Program services:				
Salaries and fringe benefits	6,984,021	8,799,476	8,647,605	(151,871)
Library materials	1,800,000	1,833,500	1,897,715	64,215
General operating	944,079	944,079	844,688	(99,391)
Building operations and maintenance	1,287,436	1,287,436	1,248,084	(39,352)
Capital outlay	266,583	502,553	434,428	(68,125)
Contingency	150,000	150,000	-	(150,000)
	<u>11,432,119</u>	<u>13,517,044</u>	<u>13,072,520</u>	<u>1,640,401</u>
Deficiency of revenues under expenditures	<u>\$ (248,899)</u>	<u>\$ (2,141,779)</u>	(889,245)	<u>\$ (640,346)</u>
Reconciliation for property taxes reported on the cash basis for the budget to the modified accrual basis for the financial statements:				
Change in the property tax accrual, modified accrual basis			<u>(104,540)</u>	
Excess revenues under expenditures, modified accrual basis (Exhibit 4)			<u>\$ (993,785)</u>	

See the accompanying notes to the basic financial statements.

DANIEL BOONE REGIONAL LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: The Daniel Boone Regional Library (the System) consists of the political subdivisions of the Callaway County Library District (CCLD) and the Columbia and Boone County Library District (CBCLD), which have approved a regional library contract under the authority of Revised Statutes of Missouri (RSMo) 70.210. The System is headquartered in Columbia, Missouri, with other locations in Fulton, Holts Summit and Ashland, Missouri, as well as additional coverage provided by the System's bookmobiles.

The System's purpose is to plan, develop, operate and provide a library system for the use and benefit of the residents of the above districts and provide those facilities, programs, materials and services of public libraries.

Reporting Entity

There are no entities related to the System that are reported in the System's financial statements as component units under GASB Statement No. 61. The related organizations, the Foundation of the Daniel Boone Regional Library, the Friends of the Callaway County Public Library, the Friends of the Columbia Public Library, and the Friends of the Southern Boone County Public Library generously raise funds for the System, but these organizations' financial positions are not considered individually significant to the overall financial position of the Daniel Boone Regional Library or its changes in net position and, therefore, are not included as part of the reporting entity. All of these organizations are separate not-for-profit organizations which exist to assist the Daniel Boone Regional Library in completion of its mission.

Basis of Presentation

The System's financial statements include both government-wide financial statements (Exhibits 1 and 2), reporting the System as a whole, and governmental fund financial statements (Exhibits 3-6), reporting the System's major fund.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the System as a whole. The System's activities are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The Statement of Activities presents a comparison between expenses and program revenues for each program of the System. Expenses are specifically associated with a program and are clearly identifiable with a particular function. Program revenues include charges paid by the recipients of the goods and services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

The government-wide focus is on the sustainability of the System as an entity and on the change in the System's net position resulting from the current year's activities.

Governmental Fund Financial Statements

The governmental fund financial statements report detailed information about the System. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

The major governmental funds of the Library are described below:

General Fund

The General Fund is the primary operating fund of the System. It accounts for all financial resources of the general governmental fund, except for those required to be accounted for in a different fund.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting, such as modified accrual or accrual, pertains to the timing for recognition in the financial statements of transactions or events.

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenues in the year for which they are levied. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include reconciliations with brief explanations to better identify the differences between the government-wide statements and the governmental fund statements.

Governmental Fund Financial Statements

The governmental fund financial statements are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the System considers revenues to be available if they are collected within 60 days of the current fiscal year-end. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. However, debt service expenditures as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental funds. Allocations of cost, such as depreciation or amortization, are not recognized in the governmental funds.

Budgets

Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles, except for property taxes, which are budgeted on a cash receipts basis. An annual budget is prepared in accordance with Missouri state statutes for the General Fund and approved by the System's Board of Trustees. All appropriations lapse at calendar year end.

The budget process begins with management conducting budget work sessions. A preliminary budget is presented to the Finance Committee. The committee then submits the budget to the Board of Trustees of the individual library district boards for approval prior to their votes to set their tax levies. By September 1, each individual library board comprising DBRL sets the tax levy and submits the levy to the Missouri State Auditor for approval. As soon as possible, usually by the regular November meeting, the final budget is

presented to the Board of Trustees. The Board of Trustees can approve budget amendments on an as needed basis. Management must have a budget amendment approved by the Board of Trustees to adjust budget categories in excess of ten percent of the category, not including donation spending.

Property tax revenue is budgeted based upon the previous year's assessed valuations. For purposes of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual, property taxes are recognized when cash is received.

Within the budget for the General Fund, activities are classified as salaries and fringe benefits, library materials, general operating, building operations and maintenance, contingency, and capital outlay. The Director has the authority to amend the budget line items which make up the budget classifications as long as the total budget classification is not exceeded by more than ten percent, excluding grant and donation spending, and the expenditure grand total does not exceed the total budgeted expenditures.

Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

A. Cash deposits

The System's cash deposits are considered to be cash on hand, demand deposits and investments that can be converted to cash.

B. Investments

The System's investments are reported at fair value.

C. Inventories and prepaid items

Inventories are valued at cost using the first-in/first out (FIFO) method and represents food for sale at the CPL Percolation Desk (its food and beverage kiosk) and promotional items and supplies for sale at all locations. The cost of such inventories is recorded as assets when purchased and recognized as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as assets when purchased and recognized as expenditures/expenses when consumed.

D. Capital assets

Capital assets are reported in the government-wide financial statements but not in the governmental fund financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Capital assets are defined as land, buildings, library materials, furniture, and equipment. The System's policy is to capitalize items that individually cost more than \$500 and have a useful life of more than three years. However, library collection assets are typically purchased in groups and capitalized on that basis. Library collection assets include books, CDs, DVDs, playaways, and other devices.

The System's collections are reported as library material expenditures in the fund that finances their acquisition and are capitalized in the government-wide statements at their estimated historical cost. The System follows the policy of recording collection additions and retirements using an estimated cost for each category group that approximates the average weighted list price less the System's typical discount from the list price for the category.

Land is not depreciated. All other capital assets of the System are depreciated using a straight-line method over the following estimated useful lives:

<u>Asset Type</u>	<u>Estimated Useful Life In Years</u>
Buildings and improvements	10-50
Equipment, furniture, and fixtures	5-20
Computer equipment	3-10
Library vehicles	7-15
Library collection	7

E. *Compensated absences*

The System converted from a vacation and sick leave-based system to a Paid Time Off (PTO) system at December 31, 2018. Beginning January 1, 2020, the System no longer pays for PTO leave when an employee leaves employment; thus, no leave liability is reported.

F. *Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The System does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The System has one item that qualifies for reporting in this category – unavailable revenue from property taxes. Unavailable property tax revenue is reported only in the governmental funds Balance Sheet because it arises only under the modified accrual basis of accounting. This is property tax revenue that is considered unavailable under the modified accrual basis of accounting because it is collected more than 60 days after the end of the fiscal year. This property tax revenue is deferred and recognized as an inflow of resources when the amount becomes available.

G. *Net position*

Net position represents the residual of all other elements presented in the government-wide Statement of Net Position. Net position is classified in three components:

- Net investment in capital assets – Consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted – Consists of net positions with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. A portion of the System’s net position is restricted for grant and donation spending.
- Unrestricted – All other net positions that do not meet the definition of “restricted” or “net investment in capital assets.”

Sometimes the System will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide statements, a flow assumption must be made about the order in

which the resources are considered to be applied. It is the System's practice to consider restricted net position to have been depleted before unrestricted net position is applied.

H. Fund balance

Fund balance represents the residual of all other elements presented in the governmental funds Balance Sheet. Governmental fund balances are reported in categories based on the nature of any limitations requiring the use of resources for specific purposes. Fund balance is displayed in five components:

- Nonspendable – This consists of amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- Restricted – This consists of amounts for which constraints are placed on the use of resources by the resource providers, through constitutional or contractual provisions or by enabling legislation. A portion of the General Fund is restricted for grant and donation spending.
- Committed – This consists of amounts that can be used for the specific purposes determined by a formal action of the System's highest level of decision-making authority (the Board of Trustees) by the end of the fiscal year. The System did not have any committed fund balance at December 31, 2019.
- Assigned – This consists of amounts that are intended to be used by the System for specific purposes but do not meet the criteria to be classified as restricted or committed. The General Fund balance is assigned for amounts that are intended to be used for future capital improvement of buildings owned by the districts; future equipment, furniture, and similar capital outlay; and implementation of the long-range strategic plan. These amounts are intended to be used, but are not restricted or committed, for these specific purposes.
- Unassigned – This consists of amounts that are available for any purpose and can only be reported in the General Fund.

Sometimes the System will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the System's practice to deplete restricted fund balance before using any of the components of unrestricted fund balance.

Revenues

I. Program revenues

Amounts reported as program revenues include: 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by the System and 2) grants and contributions that are restricted to meeting operational or capital requirements of the System. All taxes are reported as general revenues rather than as program revenues.

J. Property taxes

Property taxes are levied for the two library districts by Boone and Callaway County Assessors in September based on the assessed valuation of the taxable property as of the preceding January 1. Taxes are due and payable by November 1 following the levy date and become delinquent after December 31, after which the applicable property is subject to a lien for any unpaid taxes, and penalties and interest are also assessed. Callaway County bills and collects property taxes for the

Callaway County Library District. Boone County bills and collects property taxes for the Columbia and Boone County Library District (CBCLD). The Boone County officials report collections to the System and deposit collections into custody accounts for the CBCLD in the month subsequent to the month collected by the county. Callaway County officials report collections to the System and deposit collections into the System's operating bank account in the month subsequent to the month collected by the county. For its budget purposes, the System reports property taxes as revenue when deposited into the custody accounts. Accordingly, most of the property tax revenue recorded in the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual is from the receipt of taxes assessed for the previous calendar year. For the government-wide and the modified accrual basis fund financial statements, property taxes are reported as revenue in the year for which the tax was assessed, except that for the modified accrual basis financial statements, revenue recognized is limited to taxes received within 60 days after the fiscal year-end using the measurable and available criteria.

K. Grants

Reimbursement-type grants are recorded as intergovernmental receivables and revenue when the related expenditures are incurred.

Insurance

The System is insured by private carriers for property damage, personal injury, and public official liability. The System has a blanket crime policy for all employees.

Judgments and claims in excess of policy limits are recorded when it is probable that an asset has been impaired, or a liability has been incurred and the amount of loss can be reasonably estimated. There have been no judgments or claims in excess of policy limits for the past three fiscal years. Additionally, the System has had no significant reductions in coverage in the past three years.

The System provides medical, dental, life and workers' compensation insurance coverage for employees through a private insurance carrier.

Pensions

The System joined the Missouri Local Government Employees Retirement System (LAGERS) on April 1, 2019. Because the effective date is subsequent to the actuarial valuation date of February 28, 2019, LAGERS is unable to provide the complete GASB 68 reporting documents. The System will fully comply with the GASB 68 reporting requirements with our fiscal year 2020 reporting period.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

Events that have occurred subsequent to December 31, 2019, have been evaluated through May 5, 2020, which is the date the financial statements were available to be issued.

The extent of the impact of Coronavirus Disease 2019 (COVID-19) on the System's financial statements is uncertain at this time. The System is continuing to monitor and evaluate the pandemic's effects on the System.

2. CASH DEPOSITS AND INVESTMENTS

Missouri statutes and legal opinions authorize the System to invest in certain types of investments including collateralized public deposits (certificates of deposit), State of Missouri bonds, bonds of the United States, U.S. Treasury and agency securities, commercial paper, banker's acceptances, repurchase agreements and other investments backed by the United States government.

The System invests its cash in savings, repurchase agreements backed by U.S. Treasury securities, or federal agency discount notes, certificates of deposit and in external investment pools held by Boone County.

Securities underlying a repurchase agreement, which consist of U.S. Treasury securities or federal agency discount notes, must have a market value of at least 102% of the cost of the repurchase agreement. Securities underlying repurchase agreements are held as collateral at the Federal Reserve Bank.

Cash

Cash deposits in financial institutions had a bank balance of \$781,044 and a carrying amount of \$719,821 at December 31, 2019. Custodial risk for deposits is the risk that, in the event of a financial institution failure, the System's deposits may not be returned. The System's investment policy authorizes the Executive Director, who is the System's chief administrative officer, to establish bank accounts with little or no custodial risk. The Executive Director has established four interest bearing checking, savings or money market accounts. These accounts serve to ensure that all the System's assets are fully invested each day. The System requires its cash deposits and investments, other than external investment pools, to be fully collateralized by a combination of FDIC insurance and an irrevocable letter of credit. Obligations that may be pledged as collateral are governed by state statute and include U.S. government and government agency bonds and securities; general obligation bonds from any of the fifty states; general obligation bonds of any Missouri county, certain cities and special districts; revenue bonds of certain Missouri agencies and irrevocable standby letters of credit. Obligations were secured by an irrevocable standby letter of credit. The total bank balance of \$781,044 at December 31, 2019, was insured by the FDIC for \$250,327. The remaining total bank balance was secured by an irrevocable standby letter of credit.

Bank deposits	\$ 719,821
Cash on hand	<u>1,350</u>
Total cash	<u><u>\$ 721,171</u></u>

Investments

The System has an investment policy that states investments will be made in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective is to minimize credit risk and interest rate risk.

The System attempts to minimize interest rate risk, which is the risk that the market value of securities will fall due to changes in market interest rates, by participating in an investment pool with Boone County and short-term investments for the other accounts so that cash requirements for ongoing operations can be met without having to sell securities on the open market prior to maturity. Because of the short-term nature of the investments, including the underlying investment in the external investment pool, they present insignificant risk of changes in value because of changes in interest rates.

The System minimizes the concentration of credit risk loss by limiting its investments to the types of securities allowed by state statute; pre-qualify financial institutions, brokers/dealers, intermediaries, and advisors as well as requiring Boone County to pre-qualify; and requiring Boone County to diversify the investment pool's portfolio.

As of December 31, 2019, the underlying assets of the Boone County Investment Pool were invested as follows: 85% in U.S. agency securities and 15% in certificates of deposit.

U.S. agency securities were rated Aaa and certificates of deposit were rated P-1 by Moody’s Investor Services as of December 31, 2019. Eight U.S. agency securities were unrated.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Boone County, Missouri external investment pool assets are held by financial institutions in the name of Boone County, Missouri.

As of December 31, 2019, the System had the following investment balance:

Investment in external investment pool:

Boone County \$ 9,242,571

As of December 31, 2019, the System had the following investment balance in the Boone County Investment Pool:

	Investment Maturities (in years)			Fair Value	Carrying Value
	Less than 1	1-5	Over 5		
General Fund	<u>\$ 3,033,646</u>	<u>\$ 6,208,925</u>	<u>\$ -</u>	<u>\$ 9,242,571</u>	<u>\$ 9,242,571</u>

For assets and liabilities required to be reported at fair value, U.S. generally accepted accounting principles prescribes a framework for measuring fair value and financial statement disclosures about fair value measurements. A fair value hierarchy has been established that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified with Levels 1 and 2 of the hierarchy) and the reporting entity’s own assumptions about market participant assumptions (unobservable inputs classified with Level 3 of the hierarchy).

The fair value hierarchy as prescribed by U.S. generally accepted accounting principles is as follows:

- Level 1 Valuation is based upon quoted prices (unadjusted) in active markets for identical assets or liabilities that the System has the ability to access.
- Level 2 Valuation is based upon quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals.
- Level 3 Valuation is generated from model-based techniques that use at least one significant assumption based on unobservable inputs for the asset or liability, which are typically based on an entity’s own assumptions, as there is little, if any related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The System’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The System's assets are invested in the Boone County Investment Pool, which is unitized and traded at net asset value, similar to a mutual fund. The System is able to invest in and withdraw from the pool at the current calculated price, based on the fair value of the underlying pool investments. As a result, the System's investments in the pools are considered to be Level 2 investments.

The System's allocable ownership of the underlying investment securities in the Boone County pool as of December 31, 2019, is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of deposit	\$ -	\$ 1,432,120	\$ -
U.S. agency securities	-	7,810,451	-
Total Boone County Investment Pool	<u>\$ -</u>	<u>\$ 9,242,571</u>	<u>\$ -</u>

3. PROPERTY TAXES

Property taxes are levied, collected and reported as described in Note 1. The property tax rates per \$100 of assessed valuation for 2019 for each of the respective taxing districts were as follows:

	<u>General</u>
Callaway County Library District	\$ 0.1957
Columbia and Boone County Library District	0.3064

The assessed valuations for property upon which the fiscal 2019 levies were based were as follows:

Callaway County Library District	\$ 909,859,059
Columbia and Boone County Library District	<u>3,000,697,390</u>
	<u>\$ 3,910,556,449</u>

Property tax revenue from the individual taxing districts for the General Fund for the year ended December 31, 2019 is as follows:

Modified accrual basis fund financial statements:

	<u>Actual</u>
Callaway County Library District	\$ 1,804,605
Columbia and Boone County Library District	<u>9,196,807</u>
	<u>\$ 11,001,412</u>

Non-GAAP budgetary basis financial statements:

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Callaway County Library District	\$ 1,734,850	\$ 1,835,935	\$ 101,085
Columbia and Boone County Library District	<u>8,755,110</u>	<u>9,270,016</u>	<u>514,906</u>
	<u>\$ 10,489,960</u>	<u>\$ 11,105,951</u>	<u>\$ 615,991</u>

4. CAPITAL ASSETS

A summary of the changes in capital assets is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated				
Columbia land	\$ 1,491,805	\$ -	\$ -	\$ 1,491,805
Callaway land	104,380	-	-	104,380
SoBoCo land	106,080	-	-	106,080
Construction in progress	52,581	-	(52,581)	-
Total capital assets not being depreciated	<u>1,754,846</u>	<u>-</u>	<u>(52,581)</u>	<u>1,702,265</u>
Capital assets being depreciated				
Columbia library building	24,682,917	135,957	(112,442)	24,706,432
Callaway library building	2,070,902	-	(9,098)	2,061,804
Leasehold improvements	21,802	-	-	21,802
Automotive equipment	486,406	188,374	(21,105)	653,675
Furniture and equipment	3,432,506	110,097	(121,918)	3,420,685
Books and materials	7,492,319	964,357	(911,212)	7,545,464
SIRSI circulation control system	137,960	-	-	137,960
Total capital assets being depreciated	<u>38,324,812</u>	<u>1,398,785</u>	<u>(1,175,775)</u>	<u>38,547,822</u>
Accumulated depreciation				
Columbia library building	(13,944,754)	(773,617)	110,691	(14,607,680)
Callaway library building	(1,333,654)	(71,018)	313	(1,404,359)
Leasehold improvements	(9,865)	(1,943)	(313)	(12,121)
Automotive equipment	(385,407)	(30,142)	21,105	(394,444)
Furniture and equipment	(2,512,150)	(186,657)	105,532	(2,593,275)
Books and materials	(4,529,939)	(781,091)	697,282	(4,613,748)
SIRSI circulation control system	(101,988)	(8,980)	-	(110,968)
Total accumulated depreciation	<u>(22,817,757)</u>	<u>(1,853,448)</u>	<u>934,610</u>	<u>(23,736,595)</u>
Total capital assets being depreciated, net	<u>15,507,055</u>	<u>(454,663)</u>	<u>(241,165)</u>	<u>14,811,227</u>
Capital assets, net	<u>\$ 17,261,901</u>	<u>\$ (454,663)</u>	<u>\$ (293,746)</u>	<u>\$ 16,513,492</u>

Depreciation expense has been allocated in the Statement of Activities among program expenses as follows:

Library materials	\$ 781,091
General operating	225,779
Building operations and maintenance	<u>846,578</u>
	<u>\$ 1,853,448</u>

5. RETIREMENT PLAN

The System offers a defined contribution retirement plan to all benefit eligible employees who have completed at least one month of employment. Employees may contribute up to 100% of gross salary, provided their deferral does not exceed the IRS mandated maximum; the System matches up to 6% of an employee's contribution. Unless the employee opts out or defers at a different percentage of compensation, employees are automatically enrolled using 2% of gross salary deferral rate. In addition, the System has a Roth account option that allows for post-tax contributions.

Employees are fully vested after six years of participation in the plan. The employer's contributions were \$253,418 for 2019.

6. PENSION PLAN

General Information about the Pension Plan

Plan Description

The System's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The System 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 System, 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>Initial Valuation</u>
Benefit multiplier	1.25%
Final average salary	5 years
Member contributions	0%

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.

Contributions

The System 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 System do not contribute to the pension plan. Employer contribution rates were 14.1% of annual covered payroll effective April 1, 2019 to May 31, 2019, and 11.8% of annual covered payroll effective June 1, 2019.

Payable to the Pension Plan

At December 31, 2019, the System reported a payable of \$38,554 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2019.

7. LEASE

The System has a long-term lease for its Southern Boone County library facility. Future minimum lease payments as of December 31, 2019 are as follows:

2020	\$ 102,440
2021	102,440
2022	81,098
	<hr/>
	\$ 285,978
	<hr/> <hr/>

The System has the option of renewing the lease for up to two additional five-year periods at a monthly rental of \$8,667. Lease expense totaled \$102,440 for 2019.

8. ASSIGNED FUND BALANCE

General Fund assigned fund balance consists of amounts that are intended to be used by the System for specific purposes but do not meet the criteria to be classified as restricted or committed fund balance (see Note 1 for an explanation of the components of fund balances). At December 31, 2019, the System intends that General Fund assigned fund balance will be used for the following specific purposes:

General Fund:	
Future capital improvement of buildings owned by districts	\$ 3,585,550
Future equipment, furniture and similar capital outlay	1,441,523
Implementation of the long-range strategic plan	828,256
	<hr/>
Total assigned General Fund balance	\$ 5,855,329
	<hr/> <hr/>

9. RELATED PARTY TRANSACTIONS

The System has transactions with the related organizations of the Foundation of the Daniel Boone Regional Library, the Friends of the Callaway County Public Library, the Friends of the Columbia Public Library, and the Friends of the Southern Boone County Public Library. In 2019, the System received a total of \$345,023 in contributions and materials from these organizations and was reimbursed \$8,658 from these organizations for its expenditures.

10. TAX ABATEMENTS

The System has not entered into any tax abatement agreements. However, the System’s member districts are impacted by tax abatement agreements entered into by Boone County, Callaway County and City of Columbia. These governmental entities have tax abatement agreements with twenty-four entities that impact the System. The System impact as of December 31, 2019 is listed below.

Purpose	Percentage of Taxes Abated During the Fiscal Year	Amount of Taxes Abated During the Fiscal Year	Financing Method
Food Manufacturing	50	14,557	Chapter 100 Financing
Columbia Hotel Redevelopment	100	3,198	Tax Increment Financing
Food Manufacturing	75	9,745	Chapter 100 Financing
Columbia Hotel Redevelopment	50	7,336	Chapter 100 Financing
Outdoor Merchandise Development	50	19,335	Chapter 100 Financing
Manufacturing Development	50	9,720	Chapter 100 Financing
Redevelopment of Fulton's Southside	100	1,409	Tax Increment Financing
Redevelopment of Fulton Strip Mall	100	4,063	Tax Increment Financing
Holts Summit Redevelopment	100	2,477	Tax Increment Financing

Each of the above agreements is negotiated under Missouri state law.

Boone County has approved two other Chapter 100 projects for a food processing and radioisotope production, but no agreement has been reached as of December 31, 2019.

Chapter 100 Financing – In Missouri, cities and counties (Municipality) can issue industrial development revenue bonds (Revenue Bonds) pursuant to Chapter 100 of the Missouri Revised Statutes (RSMo), as amended (the Act), in order to encourage industrial development projects for private companies. Under the Act, the Municipality may issue Revenue Bonds to finance the costs of the purchase, construction, extension and improvement of warehouses, distribution facilities, research and development facilities, office industries, agricultural processing industries, service facilities which provide interstate commerce, and industrial plants, including the real estate either within or without the limits of such Municipality, buildings, fixtures and machinery (the Project). There are two primary reasons to issue Revenue Bonds under the Act. First, if the Revenue Bonds are tax-exempt, it may be possible to issue the Revenue Bonds at lower interest rates than those obtained through conventional financing. Second, even if the Revenue Bonds are not tax-exempt, ad valorem taxes levied on the Revenue Bond financed Project may be abated so long as the Revenue Bonds are outstanding.

In a typical Chapter 100 transaction, the Municipality holds fee title to the Project once the Revenue Bonds are issued and leases the Project to the private company. Because the Municipality is the legal owner of the Project while the Revenue Bonds are outstanding, the Project is exempt from ad valorem taxation and personal property taxation while the Revenue Bonds are outstanding. The Municipality and the private company may determine that partial tax abatement – but not full tax abatement is desirable. In this case, the Municipality and the private company will enter into an agreement providing for the company to make “payments in lieu of taxes” to the Municipality and other taxing jurisdictions levying property taxes where the Project is located. The amount of payments in lieu of taxes to be paid by the private company is negotiable to any amount. The payments in lieu of taxes are payable by December 31 of each year and are distributed to the Municipality and to each taxing jurisdiction levying property taxes where the Project is located in the same manner and proportion as the property taxes would otherwise be distributed to such taxing jurisdictions

under Missouri law. Section 100.800 of the RSMo does provide for the recapture of abated taxes in the event an abatement recipient does not fulfill the commitment it makes in return for the tax abatement.

Tax Increment Financing – Pursuant to the Real Property Tax Increment Allocation Act, Sections 99.800 through 99.865, RSMo, as amended (the TIF Act), cities and counties (Municipality) may adopt a redevelopment plan (TIF plan) that provides for the redevelopment of a “blighted area”, “conservation area” or “economic development area,” located within the boundaries of the Municipality. The theory of TIF financing is that, by encouraging redevelopment projects, the value of real property in a redevelopment area should increase.

When the TIF plan is adopted, the assessed valuation of the real property in the redevelopment area is frozen at the current base level prior to construction of improvements. The owner of the property continues to pay property taxes at the base level and such property tax revenues are distributed to the taxing jurisdictions levying property taxes in the redevelopment area. As the property is improved, the assessed value of the real property in the redevelopment area increases above the base level. By applying the property tax levy of all taxing jurisdictions having taxing power within the redevelopment area to the increase in assessed valuation of the improved real property over the base level, a “tax increment” is produced. The tax increments, referred to as “payments in lieu of taxes,” are paid by the owner of the real property in the same manner as regular property taxes. The payments in lieu of taxes are transferred by the collecting agency to the treasurer of the Municipality and deposited in a special allocation fund. Either the Municipality or TIF commission may issue bonds or other obligations under the TIF Act which are payable from moneys in the special allocation fund. The bonds or other obligations must mature within 23 years. The bonds or other obligations are not a general obligation of the Municipality and, accordingly, do not count toward the Municipality’s debt limitation.

Effective August 28, 2014, if the voters in a taxing jurisdiction approve an increase to the taxing jurisdiction’s property tax levy, then the additional revenues generated within an existing redevelopment project area from the voter approved increase to the property tax levy will not be subject to capture without the taxing jurisdiction’s consent.

REQUIRED SUPPLEMENTARY INFORMATION

**LAGERS (PENSION PLAN)
SCHEDULE OF CONTRIBUTIONS - LAST TEN FISCAL YEARS
December 31, 2019**

	<u>2019</u>
Actuarially determined contribution	\$ 353,550
Contributions in relation to the actuarially determined contribution	353,550
Additional contributions not in relation to the actuarially determined contribution	<u>1,500,000</u>
Contribution deficiency (excess)	<u><u>\$ (1,500,000)</u></u>
Covered payroll	\$ 2,874,228
Contributions as a percentage of covered payroll	12.30%

Note: This schedule will ultimately contain ten years of data.