

**AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION**

TRAILS REGIONAL LIBRARY

JUNE 30, 2023

Trails Regional Library

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Trails Regional Library
Warrensburg, Missouri

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, aggregate discretely presented component units and each major fund of Trails Regional Library as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

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, aggregate discretely presented component units and each major fund of Trails Regional Library as of June 30, 2023 and the 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 A.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Library and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Basis of Accounting

We draw attention to Note A 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note A and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Library's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Library's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Financial 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 budgetary comparison schedule for the General Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. The budgetary comparison schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note A.

Gillum and Gillum CPA LLC

September 25, 2023

Trails Regional Library

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

June 30, 2023

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Library Foundation</u>
ASSETS		
Cash and investments--Note B	\$ 3,955,000	\$ 203,403
TOTAL ASSETS	<u>3,955,000</u>	<u>203,403</u>
 COMMITMENTS AND CONTINGENCIES		
--NOTES D, E, F and H		
 NET POSITION		
Restricted--Note G	229,540	169,233
Unrestricted	<u>3,725,460</u>	<u>34,170</u>
TOTAL NET POSITION	<u>\$ 3,955,000</u>	<u>\$ 203,403</u>

See notes to financial statements

Trails Regional Library

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

Year Ended June 30, 2023

				<u>Net (Expenses), Revenues and Changes in Net Position</u>	
	<u>Program Revenues</u>			<u>Primary</u>	<u>Component</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Unit Library Foundation</u>
GOVERNMENTAL ACTIVITIES					
Library operations	\$ 2,755,487	\$ 19,206	\$ 61,333	\$ (2,674,948)	
Facility acquisition and renovation	376,628	-	-	(376,628)	
Debt service					
Principal retirement	66,934	-	-	(66,934)	
Interest	17,434	-	-	(17,434)	
	<u>\$ 3,216,483</u>	<u>\$ 19,206</u>	<u>\$ 61,333</u>	<u>(3,135,944)</u>	
COMPONENT UNITS					
Library Foundation	<u>\$ 551</u>	<u>\$ -</u>	<u>\$ 28,570</u>		\$ 28,019
GENERAL REVENUES					
Property taxes levied for:					
General purposes				3,340,097	-
Athletes and entertainers tax				64,749	-
Unrestricted state aid				58,480	-
Earnings on investments				4,201	6,369
				<u>3,467,527</u>	<u>6,369</u>
TOTAL GENERAL REVENUES					
CHANGE IN NET POSITION				331,583	34,388
Net position, beginning of year				<u>3,623,417</u>	<u>169,015</u>
NET POSITION, END OF YEAR				<u>\$ 3,955,000</u>	<u>\$ 203,403</u>

See notes to financial statements

Trails Regional Library

**BALANCE SHEET ARISING FROM MODIFIED CASH BASIS TRANSACTIONS
- GOVERNMENTAL FUNDS**

June 30, 2023

	<u>Major Funds</u>		<u>Total</u>
	<u>General Fund</u>	<u>Designated Gifts Fund</u>	
ASSETS			
Cash and investments--Note B	\$ 3,579,198	\$ 375,802	\$ 3,955,000
TOTAL ASSETS	<u>\$ 3,579,198</u>	<u>\$ 375,802</u>	<u>\$ 3,955,000</u>
 FUND BALANCES--NOTE G			
Restricted	\$ -	\$ 229,540	\$ 229,540
Committed	-	146,262	146,262
Assigned	415,478	-	415,478
Unassigned	<u>3,163,720</u>	-	<u>3,163,720</u>
TOTAL FUND BALANCES	<u>\$ 3,579,198</u>	<u>\$ 375,802</u>	<u>\$ 3,955,000</u>

RECONCILIATION TO THE STATEMENT OF NET POSITION

There are no differences between total fund balances as presented in this statement and net position presented in the statement of net position.

See notes to financial statements

Trails Regional Library

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ARISING FROM MODIFIED CASH BASIS TRANSACTIONS
- GOVERNMENTAL FUNDS**

Year Ended June 30, 2023

	<u>Major Funds</u>		<u>Total</u>
	<u>General Fund</u>	<u>Designated Gifts Fund</u>	
REVENUES			
Property taxes--Note C	\$ 3,340,097	\$ -	\$ 3,340,097
State aid and grants	160,962	-	160,962
Charges for services	19,206	-	19,206
Donations	14,599	9,000	23,599
Interest	3,849	353	4,202
	<u>3,538,713</u>	<u>9,353</u>	<u>3,548,066</u>
EXPENDITURES			
Salaries and benefits	1,992,857	-	1,992,857
Operations	285,285	-	285,285
Collections and services	273,892	-	273,892
Facilities and technology	203,453	-	203,453
Capital outlay	376,628	-	376,628
Debt service			
Principal retirement	66,934	-	66,934
Interest	17,434	-	17,434
	<u>3,216,483</u>	<u>-</u>	<u>3,216,483</u>
EXCESS REVENUES OVER EXPENDITURES	322,230	9,353	331,583
OTHER FINANCING SOURCES			
Transfers	-	-	-
NET CHANGE IN FUND BALANCES	322,230	9,353	331,583
Fund balances, beginning of year	<u>3,256,968</u>	<u>366,449</u>	<u>3,623,417</u>
FUND BALANCES, END OF YEAR	<u>\$ 3,579,198</u>	<u>\$ 375,802</u>	<u>\$ 3,955,000</u>

RECONCILIATION TO THE STATEMENT OF ACTIVITIES

There are no differences between net change in fund balances as presented in this statement and change in net position presented in the statement of activities.

See notes to financial statements

Trails Regional Library

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Trails Regional Library (the Library) have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Library's accounting policies are described below.

Reporting Entity: Trails Regional Library is a consolidated public library district, established May 27, 1980, as provided under the Revised Statutes of Missouri 182.610-182.620. The current district encompasses Johnson County and Lafayette County (excluding the Higginsville Municipal Library District). The governing body is the Trails Regional Library Board of Trustees consisting of ten members, five from each county appointed by the respective County Commissions. Administrative headquarters are at 432 North Holden Street, Warrensburg, Missouri. Community libraries are located at Warrensburg, Lexington, Odessa, Concordia, Knob Noster, Corder, Waverly and Holden.

The accompanying financial statements present the Library and its component units under discrete presentation. Component units are legally separate organizations for which the Library is financially accountable, or that raise and hold economic resources for the direct benefit of the Library. The Trails Regional Library Foundation is a non-profit organization governed by a ten member board, consisting of five members from Johnson County and five members from Lafayette County. Although this organization is legally separate from the Library, the Foundation is reported as a component unit because its sole function is to facilitate fundraising activities that will be used exclusively for library programs. The Foundation does not issue separate financial statements. The Foundation is exempt from tax under Section 501(c)3 of the Internal Revenue Code.

Basis of Presentation: The Library's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities present summaries of the Library's governmental activities and its component unit. Governmental activities generally are financed through taxes, state grants and donations. The component unit is financed primarily by donations.

The Statement of Net Position presents the financial condition of the Library's governmental activities and component unit at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the governmental activities and component unit. Direct expenses are those that are specifically associated with a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each function is self-financing or draws from the general revenues of the Library.

Trails Regional Library

NOTES TO FINANCIAL STATEMENTS - CONT'D

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

Fund Financial Statements: During the year the Library segregates transactions related to certain functions in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Library at this more detailed level. The focus of governmental fund financial statements is on major funds.

Fund Accounting: The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Library's governmental funds are described below.

General Fund: The general fund is the primary operating fund of the Library. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Designated Gifts Fund: The designated gifts fund accounts for significant bequests and donations to the Library that are designated for specific functions or activities.

Basis of Accounting: Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied. The Library's policy is to prepare its financial statements on the modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues and expenditures/expenses when they result from cash transactions. For the financial statements, the cash basis is modified to present long-term investments arising from cash transactions in the government-wide statement of net position and fund balance sheets, rather than as expenditures in the government-wide statement of activities and fund statements of revenues, expenditures and changes in fund balances. The modified cash basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as property taxes and other receivables, and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements. Capital assets and long-term debt *are not presented* in the statement of net position. If the Library utilized the basis of accounting recognized as generally accepted, the governmental fund financial statements would use the modified accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting. The reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting when reviewing the accompanying financial information.

Measurement Focus: Measurement focus is a term used to describe "which" transactions are recorded with the various financial statements. The government-wide financial statements are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of changes in net position (or cost recovery) and financial position. All assets and liabilities associated with their activities are reported. The fund financial statements are presented using the current financial resources measurement focus. Only current financial assets and liabilities are generally included in the balance sheet. The operating statement presents sources and uses of available spendable financial resources during a given period. Fund balance is used as the measure of available spendable financial resources at the end of the period.

Trails Regional Library

NOTES TO FINANCIAL STATEMENTS - CONT'D

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

Equity:

Net position: In the government-wide financial statements, net position represents the difference between assets and liabilities. Net position is displayed in two components:

Restricted net position: Net position with limitations placed on its use either by enabling legislation adopted by the Library, or external restrictions imposed by creditors (through debt covenants), grantors, or laws and regulations of other governments.

Unrestricted net position: All remaining net position that does not meet the definition of "restricted."

Fund balance: In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance is classified within one of five categories:

Nonspendable: Funds that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact.

Restricted: Funds that are mandated for a specific purpose by external parties, such as creditors, grantors and contributors, or by state statute and other enabling legislation.

Committed: Funds that are set aside for a specific purpose determined by formal action of the Library's highest level of decision making authority, the Library's Board of Trustees. Restrictions are authorized by Board policy or resolution. A Board policy revision or a Board resolution is also required to modify or rescind the limitations placed on these funds.

Assigned: Funds that are set aside with the intent to be used for a specific purpose by the Library's Board of Trustees or an official that has been given the authority to assign funds. These funds do not meet the criteria to be classified as restricted or committed.

Unassigned: Residual amount for the general fund, after allocations to the other four categories. This category provides spendable resources to meet unexpected expenditures and revenue shortfalls.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources (committed, assigned or unassigned) are available, the Library considers restricted amounts to be reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance categories could be used, the Library considers committed amounts reduced first, followed by assigned amounts and then unassigned amounts.

Risk Management: The Library has identified its significant risk areas, including property, liability, workers' compensation, and errors and omissions liability, and has covered those risks with the purchase of commercial insurance.

Trails Regional Library

NOTES TO FINANCIAL STATEMENTS - CONT'D

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Subsequent Events: Subsequent events have been evaluated through September 25, 2023, which is the date these financial statements were available to be issued.

NOTE B--CASH AND INVESTMENTS

At June 30, 2023, cash and investments consisted of:

	<u>Primary Government</u>	<u>Component Units</u>
Demand deposits	\$3,955,000	\$164,678
Mutual funds	---	38,725
	<u>\$3,955,123</u>	<u>\$203,403</u>

Missouri statutes authorize the Library to deposit in open accounts, certificates of deposit, State of Missouri bonds, and obligations of the United States Treasury or any wholly-owned corporation of the United States. A separate bank account is maintained for the Designated Gifts Fund.

The component units do not have a formal investment policy.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a depository institution failure, the Library will not be able to recover deposits. The Library's policy is to collateralize deposits with securities held by the financial institution's agent in the Library's name. At June 30, 2023, the Library's deposits were covered by federal depository insurance or by collateral held in the Library's name by their financial institution's agent. Consequently, the Library was not exposed to any custodial credit risk.

The component units' demand deposits were covered by federal depository insurance. The mutual funds were uncollateralized.

NOTE C--PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and payable by December 31. All unpaid taxes become delinquent January 1, of the following year. Johnson County and Lafayette County collect the property taxes and remit them to the Library on a monthly basis. Property tax revenues are recorded when received from the County.

The Library's tax levy per \$100 of assessed valuation of tangible taxable property for calendar year 2022 for purposes of local taxation was \$.2562. The assessed valuations of the tangible taxable property (excluding state assessed railroad and utilities) for calendar year 2022 for purposes of local taxation were \$757,567,315 for the Johnson County Library District and \$487,699,935 for the Lafayette County Library District.

Trails Regional Library

NOTES TO FINANCIAL STATEMENTS - CONT'D

NOTE D--PENSION PLAN

Plan description: Trails Regional Library participates in the Missouri Local Government Employees Retirement System (LAGERS), 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 express intent of the General Assembly. The plan is qualified under 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, including financial statements and required supplementary information. That 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.

Based on the actuarial valuation dated February 28, 2023, benefit terms are:

Benefit Multiplier 1.50%

Final Average Salary 3 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.

Employees covered by benefit terms: At February 28, 2023, the following employees were covered by the benefit terms:

Inactive employees/beneficiaries currently receiving benefits	44
Inactive employees entitled to but not yet receiving benefits	8
Active employees	<u>31</u>
Total	<u>83</u>

Contributions: The Library 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 any unfunded accrued liability. The Library's employees do not contribute to the pension plan. For the year ended June 30, 2023, the employer contribution rate was 8.3% of annual covered payroll. The Library's contribution to LAGERS was \$108,704 for the fiscal year ended June 30, 2023, under the modified cash basis of accounting.

Trails Regional Library

NOTES TO FINANCIAL STATEMENTS - CONT'D

NOTE E--COMMITMENTS - LONG-TERM DEBT

Long-term debt at June 30, 2023, consisted of the following:

Lease purchase agreement - Odessa facility

Monthly payments of \$7,030, including interest at 3.24%, are due through July 1, 2025. The interest rate will be adjusted on July 1, 2025 based on the 5-Year Treasury Constant Maturity Rate reported by the Federal Reserve Bank, but will not exceed 10%. Final maturity is July 1, 2030.

\$501,641

The lease purchase agreement is annually renewable at the Library's option. The Library's obligation is limited to payment from available revenues, and the lease does not constitute a pledge of the general credit, tax revenues, funds, or moneys of the Library. Although the agreement provides for cancellation at the Library's option at the renewal date, the Library does not foresee exercising its option to cancel.

A summary of the lease transactions for the year ended June 30, 2023 follows:

Balance, July 1, 2022	\$568,575
Payments	(66,934)
Balance, June 30, 2023	<u>\$501,641</u>

Interest paid in the year ended June 30, 2023 was \$17,434.

Annual debt service requirements to maturity, including principal and interest, as of June 30, 2023 are:

Year ending	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30,			
2024	\$ 69,135	\$ 15,233	\$ 84,368
2025	71,409	12,959	84,368
2026	73,757	10,611	84,368
2027	76,183	8,185	84,368
2028	78,688	5,680	84,368
2029-30	<u>132,469</u>	<u>3,673</u>	<u>136,142</u>
	<u>\$501,641</u>	<u>\$56,341</u>	<u>\$557,982</u>

NOTE F--COMMITMENTS AND CONTINGENCIES

Compensated Absences: Employees earn paid time off in varying amounts depending on their job classification and length of service. Paid time off may be carried over to the subsequent year up to a maximum of 240 hours, and is payable at termination. At June 30, 2023, the liability for accumulated paid time off was approximately \$106,000. The amount expected to be paid from current resources is not significant.

Equipment Leases: The Library paid \$15,625 under an operating lease for copiers during the year ended June 30, 2023. Future minimum lease payments are \$15,625 through June 30, 2024, the end of the lease term.

Trails Regional Library

NOTES TO FINANCIAL STATEMENTS - CONT'D

NOTE G--NET POSITION/ FUND BALANCES

At June 30, 2023, the Library's fund balances are categorized as follows:

Nonspendable: The Library did not have nonspendable fund balance.

Restricted: The Designated Gifts Fund includes \$75,504 donated by John E. Martin for improvements to the Holden facility and \$154,036 donated by Kenneth and Marian Glazebrook for the Warrensburg facility. These amounts are also considered restricted net position.

Committed: The remaining balance of the Designated Gifts Fund is considered committed fund balance. According to Board policy, donations over \$5,000 are tracked individually. These gifts are not legally restricted, but the Board considers the donor's wishes as to use. The Board of Trustees must approve all expenditures prior to purchase.

Assigned: Within the General Fund, fund balance was assigned by Board policy to the following:

Vehicle Replacement: The library will accrue funds for the future replacement of the two library vehicles. Transfers from this fund must be approved by the Board of Trustees. Assigned fund balance at June 30, 2023 was \$10,000.

Development Reserve: The library will accumulate a balance equal to approximately 15% of the total operating budget to be used for improvements to library facilities or other expenses approved by the Board. Transfers from this fund must be approved by the Board of Trustees. Assigned fund balance at June 30, 2023 was \$352,028.

Debt Service Reserve: The library will accrue funds for future payments on debt service. Transfers from this fund must be approved by the Board of Trustees. Assigned fund balance at June 30, 2023 was \$53,450.

Unassigned: The general fund balance remaining after allocations to the other four categories.

At June 30, 2023, component unit net position includes \$169,233 restricted by donors for branch facilities.

NOTE H--TAX ABATEMENTS

Johnson County currently provides tax abatements under three programs: The Industrial Development Bond Program (Chapter 100 Bonds), the Tax Increment Financing Program (City of Warrensburg) and the Johnson County Enhanced Enterprise Zone.

- Missouri law authorizes municipalities to issue Industrial Development Bonds (IDBs), also known as Chapter 100 bonds, to finance industrial development projects. IDBs issued by a municipality do not require voter approval and may be issued as tax-exempt or non-tax-exempt. Upon issuance of taxable Chapter 100 bonds, the property taxes on bond-financed property may be abated. The municipality that issues the bonds must maintain legal ownership of the property while the bonds are outstanding in order for the property to be eligible for tax abatement. Sections 100.010 to 100.200 RSMo set forth the requirements governing IDBs. Bond revenues are used to pay eligible costs, which may include industrial plants, warehouses, distribution facilities, research and development facilities, office industries, services facilities providing interstate commerce, agricultural processing industries, land, buildings, fixtures and machinery.

Trails Regional Library

NOTES TO FINANCIAL STATEMENTS - CONT'D

NOTE H--TAX ABATEMENTS – CONT'D

- Tax Increment Financing (TIF) permits the use of a portion of state and local property, sales or personal income taxes to assist funding the redevelopment of certain designated areas within a community. A TIF area must contain property classified as a blighted, conservation or economic development area. A TIF area can have multiple Project Areas within a Redevelopment Area. The City establishes a TIF Commission and is charged with all the responsibilities for bringing a TIF redevelopment project to completion. Sections 99.800 to 99.865, RSMo authorize Missouri municipalities to implement tax increment financing and provide more detailed information regarding the use of this tool. Increases in property taxes due to new construction, rehabilitation and infrastructure improvements from the project are abated for up to 23 years. Property owners make Payments in Lieu of Taxes (PILOTS) to a special allocation fund for the amount of the taxes abated. 50% of all local Economic Activity Taxes (EATS) (e.g. sales, utility, and earnings taxes) generated within the project area are deposited in a special allocation fund. Proceeds in the special allocation fund are used to reimburse eligible costs, which may include professional fees, studies, surveys, plans, land acquisition, site preparation, and construction costs of both public and private improvements.
- Missouri law authorizes Counties and/or Cities to become designated as an Enhanced Enterprise Zone for the purpose of real estate property tax abatement for expanding eligible businesses within the designated geographic area for 25 years, under Sections 135.950 to 135.973, RSMo. The geographic area, based on census tract boundaries, must meet blighted and economic distress criteria in order to be eligible as an Enhanced Enterprise Zone. Eligible businesses must generate new jobs, investment and wage thresholds for the life of the abatement and are monitored annually for compliance. The Johnson County Enhanced Enterprise Zone encompasses a large portion of Johnson County, the municipalities of Centerview, Holden, Leeton and a portion of Warrensburg. The Johnson County Enhanced Enterprise Zone was created in July 2016 and will expire on July 2041. For more information about the Johnson County Enhanced Enterprise Zone, go to: <http://www.jocoeez.com>.

Current Projects:

On October 19, 2000, Johnson County entered into an Industrial Development Project agreement (Chapter 100 Bonds) with Associated Electric Cooperative, Inc. (AECI) in the amount of \$150,000,000. The bonds were issued for the construction of a new electric peaking plant located north of Holden in Johnson County, Missouri. The agreement called for Payments in Lieu of Taxes (PILOTS) to be paid to the taxing entities. For Trails Regional Library, the 2022 estimated real estate and personal property tax abated on this bond financed property, net of PILOTS received, was \$77,415.

In June 2017, the City of Warrensburg entered into an Industrial Development Project agreement (Chapter 100 Bonds) with Dollar Tree Distribution, Inc for a distribution facility. The agreement called for Payments in Lieu of Taxes (PILOTS) to be paid to the taxing entities beginning in 2023. For Trails Regional Library, the 2022 estimated real estate and personal property tax abated on this bond financed property was \$57,174.

The Library was also subject to a number of other tax abatement programs. Only those individual programs whose effect on the Library exceeds a threshold of \$10,000 are disclosed separately. The combined total of abated tax revenue under these smaller abatement programs was approximately \$13,666 for 2022.

The total amount of abated 2022 tax revenue was approximately \$148,255.

Trails Regional Library

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>General Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 3,115,340	\$ 3,115,340	\$ 3,340,097	\$ 224,757
State aid and grants	78,200	78,200	160,962	82,762
Charges for services	12,000	12,000	19,206	7,206
Donations	5,000	5,000	14,599	9,599
Interest	2,500	2,500	3,849	1,349
	<u>3,213,040</u>	<u>3,213,040</u>	<u>3,538,713</u>	<u>325,673</u>
EXPENDITURES				
Salaries and benefits	2,315,000	2,315,000	1,992,857	322,143
Operations	255,640	255,640	285,285	(29,645)
Collections and services	348,200	348,200	273,892	74,308
Facilities and technology	305,500	305,500	203,453	102,047
Capital outlay	681,200	681,200	376,628	304,572
Debt service				
Principal retirement	68,000	68,000	66,934	1,066
Interest, net of rebate	17,000	17,000	17,434	(434)
	<u>3,990,540</u>	<u>3,990,540</u>	<u>3,216,483</u>	<u>774,057</u>
EXCESS REVENUES OVER EXPENDITURES				
	(777,500)	(777,500)	322,230	1,099,730
OTHER FINANCING SOURCES				
Transfers	-	-	-	-
NET CHANGE IN FUND BALANCES				
	<u>\$ (777,500)</u>	<u>\$ (777,500)</u>	322,230	<u>\$ 1,099,730</u>
Fund balances, beginning of year			<u>3,256,968</u>	
FUND BALANCES, END OF YEAR			<u>\$ 3,579,198</u>	

See independent auditors' report

Trails Regional Library

NOTES TO BUDGETARY COMPARISON SCHEDULE

June 30, 2023

The Library's Board of Trustees adopts a complete annual operating budget for the General Fund. The budget is prepared on the modified cash basis of accounting, consistent with the basis of accounting used in presenting the fund financial statements. On June 15, 2022, the original (preliminary) budget was legally enacted by a vote of the Board of Trustees. Subsequent to its formal approval of the budget, the Board has the authority to make necessary adjustments to the budget by formal vote. On August 24, 2022, the Board approved the 2022 property tax levy and adopted the final budget, with no change from the original budget.

The Designated Gifts Fund is a non-budgeted fund that is permitted under state statute.

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COMMUNICATION OF SIGNIFICANT DEFICIENCIES

Board of Trustees
Trails Regional Library
Warrensburg, Missouri

In planning and performing our audit of the modified cash basis financial statements of the governmental activities, aggregate discretely presented component units and each major fund of Trails Regional Library as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Library's internal control over financial reporting (internal control) as a basis for designing 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 Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in internal control to be significant deficiencies:

Monitoring

Condition: The Library's accounting system does not provide for adequate monitoring of transactions.

Criteria: All disbursements should be subject to supervisory review and approval. This review should be detailed to ensure the invoice or other documentation clearly states the amount due and items purchased/services provided. The general ledger should be reviewed to ensure proper coding revenue and expenditure transactions.

Effect: Lack of controls could allow for errors or fraud to occur. During our testing, we noted:

- Invoices paid without supervisory approval
- Duplicate payment of invoices
- Payments made from monthly statements
- Deposits coded to incorrect revenue accounts
- Checks written before year end and held for release in the next fiscal year

Recommendation: All transactions and reports should be subject to detailed supervisory review and board approval. We recommend the following changes to current procedures:

- Department supervisors and administrative staff should review and initial **all** invoices prior to payment.
- Payments should **only** be made from invoices or other documentation that clearly details the items purchased or services provided.
- The final general ledger should be reviewed to ensure changes are correctly posted by the outside accounting firm.

Response: We concur and have begun implementing the recommendations.

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

Gillum and Gillum CPA LLC

September 25, 2023