REPORT OF
THE DANIEL BOONE REGIONAL LIBRARY
DECEMBER 31, 2004
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the
Daniel Boone Regional Library

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Daniel Boone Regional Library (the "System") as of and for the year ended December 31, 2004, which collectively comprise the System's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the System as of December 31, 2004, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the basic financial statements, the System adopted the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, during the year ended December 31, 2004.

The Management’s Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The Columbia Library District Statement of Revenues, Expenditures, and Changes in Fund Balance – Capital Project Fund is supplementary information, not required by US generally accepted accounting principles. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

March 18, 2005

[Signature]
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, 2004. The System consists of three political subdivisions: Boone County Library District, Callaway County Library District, and Columbia 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, 2004 by $22,438,771 (see Exhibit 1). This represented an increase of $954,695 from net assets at December 31, 2003 (see Exhibit 2).
- As of December 31, 2004, the System’s governmental funds reported combined ending fund balances of $13,508,345, a decrease of $150,121 in comparison to the prior year (see Exhibits 3 and 4). The portion of the total fund balance that is unreserved and available for spending at the System’s discretion is $9,168,574, which includes $5,757,157 in property tax receivable.
- Within the System’s general operating fund, total actual revenues exceeded the 2004 final budget by $168,010, while total actual expenditures were $374,817 less than the 2004 final budget (see Exhibit 5).
- The System’s total liabilities as shown in Exhibit 1 decreased $862,788 from the prior year.

Overview of the Financial Statements

The System’s basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Figure 1 illustrates the components of a typical annual financial report. This report also includes a supplementary schedule specific to the Columbia Library District building project.
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 activities (Exhibit 2) reports changes in the System’s net assets. This statement includes all of the System’s revenues and expenses, regardless of when the cash is received or paid, as defined under the full accrual accounting method.

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 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 2) the “budgetary basis statements” (Exhibits 5 and 6).

Exhibits 3 and 4 focus on assets that can readily be converted into cash in the short term and liabilities that are to be settled in the short term. Governmental funds (“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 method provides a short-term spending focus. As a result, the fund financial statements provide a detailed short-term view that helps the reader assess the amount of financial resources immediately available to finance the System’s programs. The differences in accounting for financial information in the government-wide statements (Exhibits 1 and 2) and the fund statements are illustrated by the reconciliations on Exhibits 2 through 4.

The annual budgets shown in the “budgetary basis statements” (Exhibits 5 and 6) are prepared as described in Note 1. These budgets are 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 instead of budgeting what may be “available” at year-end as defined by the modified accrual accounting method. Because the cash basis was used to budget property tax revenue, Exhibits 5 and 6 include reconciliations which illustrate the differences between these statements and the modified accrual-based statements shown in Exhibits 3 and 4.

The “budgetary basis statements” for the General Fund and the Debt Service Fund demonstrate how well the System complied with the year’s approved budget. The “budgetary basis statements” are presented using the same classifications as those used in the legal budget document. The budget for the Columbia building project, which is under the control of the Board of Trustees of the Columbia Library District (CLD), was prepared on a project basis and is presented along with a comparison to actual expenditures, as supplementary information following the notes to the financial statements.

Notes to the Financial Statements:

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.
Government-Wide Financial Analysis

The Statement of Net Assets and the Statement of Activities (Exhibits 1 and 2) present the System as a whole. Figures 2 and 3 provide summaries of these statements for 2004. Because this is a new reporting model, comparative data for all facets of this report is not available. Future years' reports will have comparative data that will allow more opportunities for comparative analysis.

<table>
<thead>
<tr>
<th>The System's Net Assets</th>
<th>Figure 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>$ 9,609,985</td>
</tr>
<tr>
<td>Restricted assets</td>
<td>4,546,027</td>
</tr>
<tr>
<td>Capital assets, net of depreciation</td>
<td>27,319,595</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>41,475,607</td>
</tr>
<tr>
<td>Short-term liabilities outstanding</td>
<td>1,070,584</td>
</tr>
<tr>
<td>Long-term liabilities outstanding</td>
<td>17,966,252</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>19,036,836</td>
</tr>
<tr>
<td>Net assets:</td>
<td></td>
</tr>
<tr>
<td>Invested in capital assets, net of related debt</td>
<td>8,894,595</td>
</tr>
<tr>
<td>Restricted</td>
<td>4,420,351</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>9,123,825</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>$ 22,438,771</td>
</tr>
</tbody>
</table>

**Net Assets:**

The System's assets exceeded its liabilities by $22,438,771 as of December 31, 2004, which is an increase to the System's net assets of $954,695 from the previous calendar year (see Figures 2 and 3). Of the net assets, $8,894,595 are invested in capital assets, which includes land, buildings, library materials, furniture, and equipment. The System uses these capital assets to provide services to patrons; consequently, these assets are not available for future spending. The remaining portions of the System's net assets are classified as either restricted or unrestricted. The restricted assets of $4,420,351 are to be used to fund the completion of the Columbia Public Library building and to service the General Obligation Bond debt incurred to finance the project. The unrestricted assets of $9,123,825 include $7,348,529 in unpaid property taxes due for 2004 and prior years from taxpayers who reside within the library districts included in the System. While this amount represents collections expected to be received next year, under the full accrual basis of accounting the taxes are recognized as due in the year for which they are assessed.
The System’s Changes in Net Assets

Figure 3

Revenues:
Program revenues:
  Charges for services  $ 24,200  0.3%
  Operating grants and contributions  178,985  2.1%
General revenues:
  Property taxes  8,248,110  94.7%
  Investment income  171,403  2.0%
  Other  83,239  1.0%
  Total revenues  8,705,937  100.0%

Expenses:
  Salaries and benefits  3,839,649  49.5%
  Library materials  60,852  0.8%
  General operating  407,043  5.3%
  Building operations and maintenance  766,186  9.9%
  Depreciation  1,707,947  22.0%
  Loss on disposal of fixed assets  41,412  0.5%
  Debt service  928,153  12.0%
  Total expenses  7,751,242  100.0%

Increase (decrease) in net assets  954,695

Net assets, January 1  21,484,076

Net assets, December 31  $ 22,438,771

Changes in Net Assets:

The System receives 95 percent of its funding from property tax revenues. Salaries and benefits represent 50 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. Consequently, most of the year’s expenditures for books and collections are not included in the “library materials” expense shown in Figure 3.

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 2004, the unreserved fund balance of the General Fund is $9,168,574, which includes $5,757,157 in property taxes that are due but not yet received by the System (see Exhibit 3). Collections of these property taxes will be budgeted to finance 2005 expenditures. The remaining unreserved fund balance of $3,411,417 is available for future spending. Although the General Fund is entirely unreserved, a
portion has been designated by the System's Board of Trustees to be used for future capital needs (see Note 10).

On December 31, 2004, the System reported a combined fund balance for its governmental funds of $13,508,345 (see Exhibit 3). Of this amount, the Debt Service Fund balance of $2,850,396 is restricted to paying the CLD's General Obligation Bond debt as it comes due. The Capital Project Fund balance of $1,400,537 is restricted to completion of the Columbia Public Library Building project with any remaining funds to be used to pay for the CLD's General Obligation Bond debt.

The General (DBRL) Fund balance decreased in 2004 mainly due to the expenditures to complete the Callaway County Public Library facility repairs (see Exhibit 4).

"Budgetary Basis Statement" Analysis (Exhibits 5 and 6):

Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that were used to prepare the original budget once more precise information is available; 2) amendments made to recognize new funding from external sources, such as grants; and 3) increases in appropriations that become necessary to maintain services.

During calendar year 2004, the System revised the budget on two occasions. On the first occasion the original expenditure budget was increased by $260,000 after receiving the contractors' bids for the Callaway County Public Library repairs project. On the second occasion, the revenue budget was increased by $2,400 for grants received and the total expenditure budget was decreased by $8,824 for a variety of reasons resulting in increases and decreases to several line item budgets.

The following summarizes significant variations between the final amount budgeted and the actual results for the General Fund (see Exhibit 5).

- **Property Taxes** - Actual collections were two percent greater than expected due to the timing of when property taxes were paid.

- **Investment Interest** - Actual collections were less than the final budget amount because investments earned a lower interest rate than projected.

- **Contributions** - Actual collections were greater than the final budget because no amounts are budgeted for donations by Friends Groups, Foundation of DBRL, or the general public.

- **Salaries and Fringe Benefits** - This expenditure category was less than the final budget because of employee turnover and approved positions that were not utilized. As a result, staff hours were reallocated in the calendar year 2005 budget.

- **Library Materials** - Actual expenditures exceeded the final budget because the unanticipated contributions previously mentioned were used for additional purchases and because some standing orders expected to be received in 2005 arrived in time to be paid in calendar year 2004.

- **General Operating** - Actual expenditures were less than the final budget because the actual costs estimated for several components of this category were less than anticipated.

- **Contingency** - This category had no actual expenditures at the end of December 31, 2004. It is the policy of the System to budget for contingencies so that expenditures can be made from unanticipated grant 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 ever expect to code actual expenditures to this category, but instead codes actual unanticipated expenditures to their appropriate categories based on the nature of the expenditures.
Capital Asset Discussion

The System’s investment in capital assets as of December 31, 2004, totals $27,319,595, net of accumulated depreciation (see Figure 4). These assets include buildings, land, furniture, equipment, and library collections. Additional information on the System’s capital assets can be found in Note 5 of the financial statements.

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

- Expenditures of $880,841 were capitalized for the construction portion of the Callaway Repairs project. Previously capitalized expenditures for the Callaway building were “disposed of” and removed for the renovation.

- The beginning of the year capital asset account balance was retroactively increased by $5,452,697 for the average cost of books and materials on hand at that time and decreased by $3,642,509 for the estimated accumulated depreciation of the materials. This was done to capitalize the library collection and record the related accumulated depreciation for the first time, as required by a new accounting standard.

- “Books and Materials” includes an increase of $889,238 for the average cost of materials purchased during the calendar year and a reduction of $320,116 for the average cost of materials disposed of during the calendar year.

- An additional $157,739 was spent on the Columbia building project.

- Various furniture and equipment additions totaling $168,388 were capitalized, and $284,363 of various furniture and equipment was sold or discarded, most of which was fully depreciated.

<table>
<thead>
<tr>
<th>The System’s Capital Assets</th>
<th></th>
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<tbody>
<tr>
<td>Land</td>
<td>1,328,058</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>22,332,667</td>
</tr>
<tr>
<td>Furniture, fixtures, and equipment</td>
<td>1,376,957</td>
</tr>
<tr>
<td>Library collection</td>
<td>2,281,913</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$27,319,595</strong></td>
</tr>
</tbody>
</table>

Long-term Debt Discussion

As of December 31, 2004, the System had total long-term debt of $18,816,252. Of this amount, $391,252 represented the liability for the employees’ compensated absences. The remainder is the Columbia Library District’s General Obligation Bond debt of $18,425,000. Additional information regarding the System’s long-term debt can be found in Note 6 of the financial statements.

On January 24, 2005 the Columbia Library District approved an expenditure of $1,165,000 from the Capital Project Fund to purchase U.S. government securities which were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments. This $1,165,000 will be used for a $1,985,000 defeasance of general obligation bond debt with the difference being applied to debt service interest when the debt can be called on March 1, 2009. This advance refunding will result in debt service interest savings of $730,225.
Economic Factors and Next Year’s Budgets

Expected increases in assessed valuations for all three library districts are estimated to result in a three percent increase in property tax revenue over the budgeted amount for calendar year 2004. Overall, the General Fund income is projected to increase by about $150,000 over the calendar year 2004 budgeted amount. Operating expenditures for the General Fund are expected to decrease nine percent as compared to the calendar year 2004 budget because the amount budgeted for the Callaway County Public Library facility repairs is significantly less in the calendar year 2005 budget.

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 Director, Daniel Boone Regional Library, 100 W. Broadway, Columbia, MO 65203.
Daniel Boone Regional Library
Statement of Net Assets
December 31, 2004

ASSETS
Current assets:
- Cash deposits and investments $3,769,521
- Receivables (net of allowance for uncollectible accounts $115,117):
  - Property taxes $5,757,157
  - Interest $5,126
  - Other $3,910
- Prepaid expenditures
  Total current assets $9,609,985

Restricted assets:
- Cash deposits and investments $2,794,905
- Receivables (net of allowance for uncollectible accounts $25,370):
  - Property taxes $1,591,372
  - Interest $5,132
  - Pledges $144,000
  - Other $10,618
  Total restricted assets $4,546,027

Capital assets:
- Non-depreciable capital assets $1,328,058
  Other capital assets, net of depreciation $25,991,537
  Total capital assets $27,319,595
  Total assets $41,475,607

LIABILITIES
Current liabilities:
- Accounts payable $220,584
- General obligation bonds within one year $850,000

Long-term liabilities:
- Compensated absences and other benefits payable $391,252
- General obligation bonds more than one year $17,575,000
  Total liabilities $19,036,836

NET ASSETS
- Invested in capital assets, net of related debt
- Restricted $4,420,351
- Unrestricted $9,123,825
  Total net assets $22,438,771

See the accompanying notes to the basic financial statements.
### Daniel Boone Regional Library
### Statement of Activities
#### For the Year Ended December 31, 2004

#### Exhibit 2

<table>
<thead>
<tr>
<th>Functions/Programs</th>
<th>Expenses</th>
<th>Charges for Services</th>
<th>Operating Grants and Contributions</th>
<th>Capital Grants and Contributions</th>
<th>Net Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary government:</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Governmental activities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Current</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Program services:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and fringe benefits</td>
<td>$3,839,649</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$3,839,649</td>
</tr>
<tr>
<td>Library materials</td>
<td>60,852</td>
<td>-</td>
<td>30,831</td>
<td>52,443</td>
<td>(22,422)</td>
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<tr>
<td>General operating</td>
<td>407,043</td>
<td>24,200</td>
<td>148,154</td>
<td>-</td>
<td>234,689</td>
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<td>Building operations and maintenance</td>
<td>766,186</td>
<td>-</td>
<td>-</td>
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<td>766,186</td>
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<tr>
<td>Depreciation expense</td>
<td>1,707,947</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,707,947</td>
</tr>
<tr>
<td>Loss on disposal of capital assets</td>
<td>41,412</td>
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<td>-</td>
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<tr>
<td><strong>Debt service</strong></td>
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<tr>
<td>Interest and fees</td>
<td>926,153</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>926,153</td>
</tr>
<tr>
<td>Bond issuance cost and fees</td>
<td>2,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$7,751,242</td>
<td>$24,200</td>
<td>$178,985</td>
<td>$52,443</td>
<td>7,495,614</td>
</tr>
</tbody>
</table>

#### General revenues:
- Taxes:
  - Property taxes, levied for general purpose
    - 8,248,110
  - Unrestricted investment earnings
    - 171,403
  - Other
    - 30,796

#### Total general revenues, special items, and transfers
- 8,450,309

#### Change in net assets
- 954,695

#### Net assets-beginning, as restated
- 21,484,076

#### Net assets-ending
- $22,438,771

*See the accompanying notes to the basic financial statements*
### Major Funds

<table>
<thead>
<tr>
<th></th>
<th>General</th>
<th>Capital Project Fund (CLD)</th>
<th>Debt Service Fund (CLD)</th>
<th>Other Governmental Fund (CLD)</th>
<th>Total Governmental Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSETS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits and investments</td>
<td>$3,681,688</td>
<td>$1,517,089</td>
<td>$1,277,816</td>
<td>$87,833</td>
<td>$6,564,426</td>
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<tr>
<td>Receivables (net of allowance for uncollectible accounts $140,487):</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Property taxes</td>
<td>5,757,157</td>
<td>-</td>
<td>1,591,372</td>
<td>-</td>
<td>7,348,529</td>
</tr>
<tr>
<td>Due from other governments</td>
<td>1,495</td>
<td>-</td>
<td>-</td>
<td>638</td>
<td>2,133</td>
</tr>
<tr>
<td>Interest</td>
<td>4,759</td>
<td>-</td>
<td>5,132</td>
<td>367</td>
<td>10,258</td>
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<tr>
<td>Other</td>
<td>3,910</td>
<td>10,619</td>
<td>24,000</td>
<td>-</td>
<td>38,529</td>
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<tr>
<td>Prepaid expenditures</td>
<td>74,271</td>
<td></td>
<td>-</td>
<td>-</td>
<td>74,271</td>
</tr>
<tr>
<td>Total assets</td>
<td>$9,523,280</td>
<td>$1,527,708</td>
<td>$2,898,320</td>
<td>$88,838</td>
<td>$14,038,146</td>
</tr>
</tbody>
</table>

### LIABILITIES AND FUND BALANCES

| Liabilities:                                      |         |                             |                         |                               |                          |
| Accounts payable                                  | $95,411 | $125,676                    | -                       | -                             | 221,087                  |
| Due to other funds                                | 638     | 1,495                       | -                       | -                             | 2,133                    |
| Deferred revenue                                  | 258,657 |                             | 47,924                  | -                             | 306,581                  |
| Total liabilities                                 | $354,706 | $127,171                    | $47,924                 | -                             | 529,801                  |

**Fund balances:**

**Unreserved:**

| Designated for:                                    |         |                             |                         |                               |                          |
| Capital outlay                                     | 1,468,407 | -                           | -                       | -                             | 1,468,407                |

| Undesignated:                                      |         |                             |                         |                               |                          |
| General fund                                       | 7,700,167 | -                           | -                       | -                             | 7,700,167                |
| Reserve for construction                           | -       | 235,537                     | -                       | -                             | 235,537                  |
| Reserve for debt services                          | -       | 1,165,000                   | 2,850,396               | -                             | 4,015,396                |
| Special revenue funds                              | -       | -                           | -                       | 88,838                        | 88,838                   |
| Total fund balances                                | 9,168,574 | 1,400,537                   | 2,850,396               | 88,838                        | 13,508,345               |
| Total liabilities and fund balances                | $9,523,280 | $1,527,708                  | $2,898,320              | $88,838                       | $14,038,146              |

### Reconciliation:

**Fund balances of governmental activities**

$13,508,345

Amounts reported for governmental activities in the Statement of Net Assets (Exhibit 1) are different because:

- Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 27,319,595
- A portion of the receivable for the anonymous gift for the sculptures is not a current resource and therefore is not recorded in the governmental fund statements. 120,000
- Long-term liabilities for items such as compensated absences and general obligation bonds are not current obligations and, therefore, are not recorded in the governmental fund statements. (18,816,252)
- Liabilities for deferred revenues in the fund statements are considered earned revenues in the government-wide financial statements. 307,083

**Net assets of governmental activities**

$22,438,771

See the accompanying notes to the basic financial statements.
Daniel Boone Regional Library  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2004  

<table>
<thead>
<tr>
<th>Major Funds</th>
<th>General (DBRL)</th>
<th>Capital Project Fund (CLD)</th>
<th>Debt Service Fund (CLD)</th>
<th>Other Governmental Funds (CLD)</th>
<th>Total Governmental Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>REVENUES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property taxes</td>
<td>$ 6,403,812</td>
<td>-</td>
<td>$ 1,805,806</td>
<td>$ 7</td>
<td>$ 8,209,625</td>
</tr>
<tr>
<td>State aid</td>
<td>94,854</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>94,854</td>
</tr>
<tr>
<td>Grants</td>
<td>2,735</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,735</td>
</tr>
<tr>
<td>COIN management fees</td>
<td>53,300</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>53,300</td>
</tr>
<tr>
<td>Investment income</td>
<td>106,566</td>
<td>17,233</td>
<td>41,122</td>
<td>2,791</td>
<td>167,712</td>
</tr>
<tr>
<td>Net change in fair value of investments</td>
<td>-</td>
<td>3,691</td>
<td>-</td>
<td>-</td>
<td>3,691</td>
</tr>
<tr>
<td>Contributions</td>
<td>75,342</td>
<td>4,697</td>
<td>24,000</td>
<td>-</td>
<td>104,039</td>
</tr>
<tr>
<td>Copier income</td>
<td>24,202</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>24,202</td>
</tr>
<tr>
<td>Other</td>
<td>32,280</td>
<td>-</td>
<td>-</td>
<td>637</td>
<td>32,917</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>$ 6,793,091</td>
<td>25,621</td>
<td>1,870,928</td>
<td>3,435</td>
<td>$ 8,693,075</td>
</tr>
</tbody>
</table>

EXPENDITURES  
Current:  
- Program services:  
  - Salaries and fringe benefits | 3,807,645   | -            | -                      | -                             | 3,807,645               |
  - Library materials            | 955,410     | -            | -                      | -                             | 955,410                 |
  - General operating           | 407,044     | -            | -                      | -                             | 407,044                 |
  - Building operations and maintenance | 766,186 | -            | -                      | -                             | 766,186                 |
  - Capital outlay              | 1,011,019   | 157,739      | -                      | -                             | 1,168,758               |
- Debt service:  
  - Principal                   | -            | -            | 810,000                | -                             | 810,000                 |
  - Interest and fees           | -            | -            | 926,153                | -                             | 926,153                 |
  - Bond issuance cost and fees | -            | -            | 2,000                  | -                             | 2,000                   |
| **Total expenditures**        | 6,947,304   | 159,739      | 1,736,153              | -                             | 8,843,196               |
| Excess (deficiency) of revenues over expenditures | (154,213) | (134,118) | 134,775 | 3,435 | (150,121) |
| Operating transfers in (out)  | -            | (500,000)    | 500,000                | -                             | -                       |
| Fund balances-beginning, as restated | 9,322,787 | 2,034,655  | 2,215,621              | 85,403                        | 13,658,466              |
| Fund balances-ending          | $ 9,168,574 | $ 1,400,537 | $ 2,850,396            | $ 88,838                      | $ 13,508,345            |

(continued)
Reconciliation:

Amounts reported in the Statement of Activities are different because:

Net changes in fund balances - total governmental funds $ (150,121)

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 2,063,316
- Depreciation (1,707,947)
- Loss on disposal of capital assets (41,412)

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 revenue 36,864

Revenue recognized in the governmental funds in the current period for the anonymous gift was previously accrued for in the government-wide statements. (24,000)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:
- Amount of the repayment 810,000

Long-term obligations are not recorded as expenditures in the governmental fund financial statements. However, in the Statement of Activities the costs of those obligations are expensed when incurred:
- Change in long-term compensated absences payable (32,005)

Total changes in net assets of governmental activities $ 954,695

See the accompanying notes to the basic financial statements.
### Daniel Boone Regional Library
#### General Fund

**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
(Non-GAAP Budgetary Basis)  
For the Year Ended December 31, 2004

<table>
<thead>
<tr>
<th>REVENUES</th>
<th>Original Budget</th>
<th>Final Budget</th>
<th>Actual Amounts</th>
<th>Variance from Final Budget - Over (Under)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property taxes</td>
<td>$ 6,289,564</td>
<td>$ 6,289,564</td>
<td>$ 6,395,470</td>
<td>$ 105,906</td>
</tr>
<tr>
<td>State aid</td>
<td>94,854</td>
<td>94,854</td>
<td>94,854</td>
<td>-</td>
</tr>
<tr>
<td>Grants</td>
<td>-</td>
<td>2,400</td>
<td>2,735</td>
<td>335</td>
</tr>
<tr>
<td>COIN management fees</td>
<td>52,100</td>
<td>52,100</td>
<td>53,300</td>
<td>1,200</td>
</tr>
<tr>
<td>Investment income</td>
<td>113,505</td>
<td>113,505</td>
<td>106,566</td>
<td>(6,939)</td>
</tr>
<tr>
<td>Contributions</td>
<td>-</td>
<td>-</td>
<td>75,342</td>
<td>75,342</td>
</tr>
<tr>
<td>Copier income</td>
<td>26,170</td>
<td>26,170</td>
<td>24,202</td>
<td>(1968)</td>
</tr>
<tr>
<td>Other</td>
<td>38,147</td>
<td>38,147</td>
<td>32,281</td>
<td>(5,866)</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>6,614,340</td>
<td>6,616,740</td>
<td>6,784,750</td>
<td>168,010</td>
</tr>
</tbody>
</table>

| EXPENDITURES                  |                 |              |                |                                          |
| Current:                      |                 |              |                |                                          |
| Program services:             |                 |              |                |                                          |
| Salaries and fringe benefits  | 4,074,093       | 4,059,886    | 3,807,645      | (252,241)                                |
| Library materials             | 885,495         | 885,495      | 955,410        | 69,915                                   |
| General operating             | 446,160         | 449,615      | 407,044        | (42,571)                                 |
| Building operations and       | 796,951         | 803,879      | 766,186        | (37,693)                                 |
| maintenance                   |                 |              |                |                                          |
| Capital outlay                | 768,066         | 1,023,246    | 1,011,019      | (12,227)                                 |
| Contingency                   | 100,000         | 100,000      | -              | (100,000)                                |
| **Total expenditures**        | 7,070,765       | 7,322,121    | 6,947,304      | (374,817)                                |
| Revenues over (under)         | ($ 456,425)     | ($ 705,381)  | (162,554)      | $ 542,827                                |

Reconciliation for property taxes reported on the cash basis for the budget and on the modified accrual basis for the financial statements:
- Change in the property tax accrual, modified accrual basis.  
  - $ 8,341
- Excess (deficiency) of revenues over expenditures, modified accrual basis (Exhibit 4)  
  - $ (154,213)

See the accompanying notes to the basic financial statements

14
Daniel Boone Regional Library
Debt Service Fund
(Columbia Library District)
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
(Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2004

<table>
<thead>
<tr>
<th></th>
<th>Original Budget</th>
<th>Final Budget</th>
<th>Actual Amounts</th>
<th>Variance from Final Budget-Over (Under)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property taxes</td>
<td>$1,854,925</td>
<td>$1,854,925</td>
<td>$1,843,461</td>
<td>$11,464 (Under)</td>
</tr>
<tr>
<td>Investment income</td>
<td>31,200</td>
<td>31,200</td>
<td>41,122</td>
<td>9,922 (Over)</td>
</tr>
<tr>
<td>Contributions</td>
<td>24,000</td>
<td>24,000</td>
<td>24,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>$1,910,125</td>
<td>$1,910,125</td>
<td>$1,908,583</td>
<td>$(1,542)</td>
</tr>
</tbody>
</table>

|                      |                 |              |                |                                        |
| **EXPENDITURES**     |                 |              |                |                                        |
| Current:             |                 |              |                |                                        |
| Principal            | 810,000         | 810,000      | 810,000        | -                                      |
| Interest and fees    | 926,153         | 926,153      | 926,153        | -                                      |
| **Total expenditures** | 1,736,153     | 1,736,153    | 1,736,153      | -                                      |
| Revenues over (under) expenditures | 173,972 | 173,972 | 172,430 | (1,542) |
| Operating transfers in(out) | 1,000,000 | 1,000,000 | 500,000 | (500,000) |
| Excess of revenues over expenditures and transfers | $1,173,972 | $1,173,972 | $672,430 | $(501,542) |

Reconciliation of property taxes reported on the cash basis for the budget and on the modified accrual basis for the financial statements:
Change in the property tax accrual, modified accrual basis. (37,655)
Excess (deficiency) of revenues over expenditures and transfers, modified accrual basis (Exhibit 4) $634,775

See the accompanying notes to the basic financial statements

15
1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: The Daniel Boone Regional Library (the System) consists of the political subdivisions of the Boone County Library District (BCLD), Callaway County Library District (CCLD), and Columbia Library District (CLD), 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 and Ashland, Missouri, as well as additional coverage provided by the System’s bookmobile.

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 to fulfill and provide to the extent possible those facilities, programs, materials, and services of public libraries.

Reporting Entity

The System is a primary government. There are no component units related to the System that should be accounted for in the System’s financial statements in accordance with Governmental Accounting Standards Board Statement No. 14. 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 Friends of the Southern Boone County Public Library generously raise funds for the System, but these organizations’ financial positions are not considered material to the overall financial position of the Daniel Boone Regional Library and 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.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments (GASB 34). As required by GASB 34 the Daniel Boone Regional Board of Trustees approved implementing this statement in calendar year 2004 along with the provisions of the related Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements. Significant changes resulting from the implementation of GASB 34 include the following:

For the first time the financial statements include:

- A Management’s Discussion and Analysis (MD&A) section providing an analysis of the System’s overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the System’s activities.
- A change in the fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements).
Basis of Presentation

The System's financial statements include both government-wide (Exhibits 1 and 2) (reporting the System as a whole) and fund financial statements (Exhibits 4-6) (reporting the System's major funds).

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the System, the primary government, as a whole. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The government-wide statement of activities presents a comparison between expenses and program revenues for each program of the governmental activities. 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 assets resulting from the current year's activities.

Fund Financial Statements

The 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 System 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.

Capital Project Fund

The Capital Project Fund is used to account for financial resources that may be used for the acquisition of property and improvements and additions to the Columbia Library District building. The CLD Board of Trustees controls the resources of this fund.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs for debt issued for CLD building improvements. The CLD Board of Trustees controls the resources of this fund.

Measurement Focus and Basis of Accounting

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. Non-exchange transactions, in which the System gives (or receives) value without directly receiving (or giving) equal value in exchange, can include certain grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements are satisfied. This approach differs from the manner in which the 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.
Fund Financial Statements
All governmental funds (modified accrual basis statements) are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The governmental funds budgetary basis statements account for revenue and expenditures on a modified accrual basis except for property tax revenue, which is accounted for on the cash basis of accounting.

Revenue Recognition
In applying the susceptible to accrual concept under the modified accrual basis, certain revenue sources are deemed both measurable and available (collectible within two months of year-end and available to pay the obligations of the current period). This includes investment earnings and state-levied locally shared taxes. Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made, or if received in advance of the expenditures, are deferred until expenditures are made.

Expenditure Recognition
The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. 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 state statutes for the General DBRL Operating Fund and approved by the System’s Board of Trustees. The CLD Board of Trustees adopts annual budgets for the Debt Service and Other Governmental Fund “Building Fund.” The Capital Project fund is budgeted on a project, rather than annual, basis and was adopted by the CLD Board of Trustees. All appropriations lapse at calendar year end except for the Capital Project fund.

The budget process begins by management conducting budget work sessions. A preliminary budget is presented to the budget committee. The preliminary budget is submitted to the Board of Trustees of the individual library district boards for approval prior to their vote to set its tax levy. 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 budgets are 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.

Property tax revenue is budgeted based upon the previous year’s assessed valuations and tax levies are set by each individual library district’s Board of Trustees. For purposes of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual, property taxes are recognized when the 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 Library 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 and the grand total budget expenditures are not exceeded in total.
Deposits and Investments

State statutes authorize the System to invest in open-time deposits; certificate of deposits; bonds of the state of Missouri, of the United States or any wholly owned corporation of the United States; or in other short-term obligations of the United States.

In accordance with state statutes and System policy, the System invests its cash in repurchase agreements backed by U.S. Treasury securities or in U.S. Treasury securities or federal agency discount notes. Securities underlying a repurchase agreement must have a market value of at least 100% of the cost of the repurchase agreement. Securities underlying repurchase agreements are held as collateral at the Federal Reserve Bank.

Collateral is required by state statute for demand deposits. The fair value of the collateral must equal 100% of the deposits not covered by federal deposit insurance. 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; and revenue bonds of certain Missouri agencies. Obligations pledged to secure deposits are delivered to the bank’s account at the Federal Reserve Bank.

At December 31, 2004, the balance sheet category “Deposits and investments” consisted of demand deposits, federal agency discount notes and repurchase agreements. Such values are stated at fair (market) value as described in Note 2. Deposit and investment balances held for the Debt Service Fund and Capital Project Fund are restricted. The resources of the Debt Service Fund, which are controlled by the CLD, can only be used to service the General Obligation Bond debt issued in 1999. The resources of the Capital Project Fund, which are controlled by the CLD, can only be used for the Columbia Public Library building project and any remaining funds at the end of the project must be used to service the debt on the General Obligation Bonds.

Property Taxes

Property taxes are levied for the three 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 tax for the Callaway County Library District. Boone County bills and collects property tax for the Boone County Library District and the Columbia Library District and remits the property taxes collected for the Columbia Library District to the city of Columbia. The city of Columbia, Boone and Callaway counties report collections to the System and deposit collections into custody accounts for the individual library districts in the month subsequent to the month collected by the taxing districts. The System records the amount as revenue when reported and deposited into the custody accounts. Accordingly, most of the property tax revenue recorded in the Statements of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual is from the receipt of 2003 assessed taxes.

Capital Assets

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 not included in the governmental fund financial statements, but are included in the governmental activities in the statement of net assets. Capital assets are defined as land, buildings, library materials, furniture, and equipment as well as infrastructure assets as a result of implementing GASB 34. The management of the System has determined, however, that it has no infrastructure assets. The System’s
policy is to capitalize items that individually cost more than $500 and have a useful life of more than three years. Library collection assets are typically purchased in groups and capitalized on that basis. Library collection assets include books, CDs, DVDs, Videos, and Cassettes.

The System's collections are reported as library material expenditures in the fund that finances the asset acquisition and are capitalized in the government-wide statements at the estimated historical cost of the item. The System follows the policy of recording collection additions and retirements using an estimated cost based on discounting the average list price for each category.

Capital assets of the System are depreciated using a straight line method over the following estimated useful lives:

<table>
<thead>
<tr>
<th>ASSET TYPE</th>
<th>Estimated Useful Life In Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and improvements</td>
<td>10 - 50</td>
</tr>
<tr>
<td>Equipment, furniture, and fixtures</td>
<td>5 - 20</td>
</tr>
<tr>
<td>Computer equipment</td>
<td>3 - 10</td>
</tr>
<tr>
<td>Library vehicles</td>
<td>7 - 15</td>
</tr>
<tr>
<td>Library collection</td>
<td>7</td>
</tr>
</tbody>
</table>

**Rebatable Arbitrage**

Under the Internal Revenue Code, other than for certain exceptions, the interest earned on proceeds of tax-exempt debt invested in securities that have a higher yield rate than the debt obligation must be rebated to the Federal government to the extent the earnings are in excess of the borrowing rate. As of December 31, 2004, the Columbia Library District has incurred no liability for excess earnings of the bond debt proceeds invested for its construction project.

**Deferred Revenue**

The System reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also occur when resources are received by the System before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the System has a legal claim to the resources, the liability for deferred revenue is removed from the governmental funds balance sheet and the revenue is recognized.

**Compensated Absences**

System employees are entitled to certain compensated absences for vacation and sick leave based on their length of employment. Earned and unused vacation is accrued as earned subject to any limitations provided by the System's personnel policies. In addition, employees who have attained 25 years of service or who retire at age 65 or older are entitled to payment for one-half of their accumulated unused sick leave upon termination up to a maximum of 960 hours. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 16, all employer-related costs for vacation and sick leave are accrued and recorded when earned. The long-term liability for compensated absences is recorded in the government-wide financial statements.
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 no significant reductions in coverage from prior years.

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

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.

Equity Classifications

In the government-wide statements, equity is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt – Consists of capital assets including restricted 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 assets 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.
- Unrestricted – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Reserves and Designations

Reserves are reported in the governmental fund statements to indicate that a portion of the fund balance is restricted by law or contract for a specific purpose. Designations of unreserved fund balance represent managerial designations for financial resource utilization in the future. When both restricted and unrestricted resources are available for use, it is the System's policy to use restricted resources first and then unrestricted resources, as needed.

Grants

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

At year end, the System’s carrying amount of deposits was $14,491 and the bank balance was $2,254,326. The bank balance was covered by federal depository insurance or by collateral held by the System’s agent in the System’s name.

In accordance with Governmental Accounting Standards Board (GASB) Statement 3, the System’s investments at year end are categorized to give an indication of the level of risk assumed by the System. The investments of the System are categorized as either: (1) insured or registered, with securities held by the System or its agent in the System’s name; (2) uninsured and unregistered, with securities held by the pledging financial institution trust department or agent in the System’s name; or (3) uninsured and unregistered with securities held by the pledging financial institutions or by their departments or agents but not in the System’s name.

<table>
<thead>
<tr>
<th>Categories</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. government and agency securities</td>
<td>$</td>
<td>-</td>
<td>$</td>
<td>-</td>
<td>$</td>
</tr>
<tr>
<td>Repurchase agreements</td>
<td>2,254,326</td>
<td>-</td>
<td>-</td>
<td>2,254,326</td>
<td>1,743,050</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>2,254,326</td>
<td>-</td>
<td>-</td>
<td>2,254,326</td>
<td>2,749,359</td>
</tr>
<tr>
<td>Cash held in custody by county</td>
<td></td>
<td></td>
<td></td>
<td>(312,347)</td>
<td>(146,514)</td>
</tr>
<tr>
<td>and city treasures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total cash and investments</td>
<td>4,622,447</td>
<td>2,254,326</td>
<td>2,254,326</td>
<td>$6,564,426</td>
<td>$6,748,260</td>
</tr>
</tbody>
</table>

Governmental Accounting Standards Board Statement 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" requires investment securities to be reported in the financial statements at fair value. As a result, an unrealized gain or loss is reported based on the difference between cost of investment securities and their fair value. The U.S. government and agency securities are investments of bond proceeds made so their maturities coincide with the expected timing for cash needed to fund the Columbia Public Library building project.

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 2003 for each of the respective taxing districts were as follows:

<table>
<thead>
<tr>
<th></th>
<th>General</th>
<th>Debt Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Columbia</td>
<td>$0.0314</td>
<td>$0.3200</td>
</tr>
<tr>
<td>Boone County</td>
<td>0.3200</td>
<td></td>
</tr>
<tr>
<td>Callaway County</td>
<td>0.2000</td>
<td></td>
</tr>
</tbody>
</table>

The assessed valuations for property upon which the fiscal 2003 levy was based were as follows:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Columbia</td>
<td>$582,261,273</td>
</tr>
<tr>
<td>Boone County</td>
<td>$1,030,798,171</td>
</tr>
<tr>
<td>Callaway County</td>
<td>$561,832,299</td>
</tr>
</tbody>
</table>
Property tax revenue recorded in the General Fund from the individual taxing districts for the year ended December 31, 2004 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actual</th>
<th>Variance Favorable (Unfavorable)</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Columbia</td>
<td>$1,852,930</td>
<td>$1,815,623</td>
<td>$(37,307)</td>
</tr>
<tr>
<td>Boone County</td>
<td>$3,269,280</td>
<td>$3,400,530</td>
<td>131,250</td>
</tr>
<tr>
<td>Callaway County</td>
<td>$1,167,354</td>
<td>$1,179,317</td>
<td>11,963</td>
</tr>
<tr>
<td></td>
<td>$6,289,564</td>
<td>$6,395,470</td>
<td>$105,906</td>
</tr>
</tbody>
</table>

4. **INTERFUND RECEIVABLE/PAYABLE**

Interfund balances at December 31, 2004, resulting from interfund loans are summarized as follows:

<table>
<thead>
<tr>
<th>Interfund Receivable</th>
<th>Interfund Payable</th>
</tr>
</thead>
<tbody>
<tr>
<td>General DBRL fund</td>
<td>$1,495</td>
</tr>
<tr>
<td>Capital project fund</td>
<td>-</td>
</tr>
<tr>
<td>Other governmental fund (building fund)</td>
<td>638</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,133</strong></td>
</tr>
</tbody>
</table>
5. CAPITAL ASSETS

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

<table>
<thead>
<tr>
<th></th>
<th>Beginning Balances, as Restated</th>
<th>Increases</th>
<th>Decreases</th>
<th>Ending Balances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital assets not being depreciated</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Columbia land</td>
<td>$ 1,223,678</td>
<td>-</td>
<td>$ -</td>
<td>$ 1,223,678</td>
</tr>
<tr>
<td>Callaway land</td>
<td>104,380</td>
<td>-</td>
<td>-</td>
<td>104,380</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>38,211</td>
<td>-</td>
<td>(38,211)</td>
<td>-</td>
</tr>
<tr>
<td>Total capital assets, not being depreciated</td>
<td>1,366,269</td>
<td>-</td>
<td>(38,211)</td>
<td>1,328,058</td>
</tr>
<tr>
<td>Capital assets, being depreciated</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Columbia library building</td>
<td>22,961,219</td>
<td>157,739</td>
<td>(421,388)</td>
<td>1,762,140</td>
</tr>
<tr>
<td>Callaway library building</td>
<td>1,302,687</td>
<td>880,841</td>
<td>(284,363)</td>
<td>2,317,036</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>10,665</td>
<td>-</td>
<td>10,665</td>
<td></td>
</tr>
<tr>
<td>Automotive equipment</td>
<td>346,878</td>
<td>5,321</td>
<td>(28,892)</td>
<td>323,307</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>2,433,011</td>
<td>168,388</td>
<td>(320,116)</td>
<td>6,021,819</td>
</tr>
<tr>
<td>Books and materials</td>
<td>5,452,697</td>
<td>889,238</td>
<td>(376,416)</td>
<td></td>
</tr>
<tr>
<td>SIRSI circulation control system</td>
<td>376,416</td>
<td>-</td>
<td>-</td>
<td>376,416</td>
</tr>
<tr>
<td>Total capital assets being depreciated</td>
<td>32,883,573</td>
<td>2,101,527</td>
<td>(1,054,759)</td>
<td>33,930,341</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Columbia library building</td>
<td>(1,146,237)</td>
<td>(874,512)</td>
<td>-</td>
<td>(2,020,749)</td>
</tr>
<tr>
<td>Callaway library building</td>
<td>(874,254)</td>
<td>(42,135)</td>
<td>388,706</td>
<td>(527,683)</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>(10,665)</td>
<td>-</td>
<td>-</td>
<td>(10,665)</td>
</tr>
<tr>
<td>Automotive equipment</td>
<td>(148,064)</td>
<td>(20,020)</td>
<td>28,892</td>
<td>(139,192)</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>(1,230,590)</td>
<td>(298,607)</td>
<td>273,510</td>
<td>(1,255,687)</td>
</tr>
<tr>
<td>Books and materials</td>
<td>(3,642,509)</td>
<td>(417,513)</td>
<td>320,116</td>
<td>(3,739,906)</td>
</tr>
<tr>
<td>SIRSI circulation control system</td>
<td>(189,762)</td>
<td>(55,160)</td>
<td>-</td>
<td>(244,922)</td>
</tr>
<tr>
<td>Total accumulated depreciation</td>
<td>(7,242,081)</td>
<td>(1,707,947)</td>
<td>1,011,224</td>
<td>(7,938,804)</td>
</tr>
<tr>
<td>Total capital assets being depreciated, net</td>
<td>25,641,492</td>
<td>393,580</td>
<td>(43,535)</td>
<td>25,991,537</td>
</tr>
<tr>
<td>Capital assets, net</td>
<td>$ 27,007,761</td>
<td>$ 393,580</td>
<td>$(81,746)</td>
<td>$ 27,319,595</td>
</tr>
</tbody>
</table>

6. LONG-TERM DEBT

**General Obligation Bonds**

On August 1, 1999, the Columbia Library District issued $22,000,000 in 1999 Series General Obligation Library Bonds for the purpose of additions to and renovations of the existing building. The bonds are to be repaid from annual tax assessments for the debt service on property within the Columbia Library District.

Principal payments are due annually from March 1, 2005 through March 1, 2019, in amounts ranging from $850,000 to $1,730,000. Interest payments are due semi-annually on March 1 and September 1, at rates from 4.5% to 5.15%.
Remaining principal and interest payments on the bonds for the years ending December 31 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$850,000</td>
<td>$888,772</td>
<td>$1,738,772</td>
</tr>
<tr>
<td>2006</td>
<td>890,000</td>
<td>849,622</td>
<td>1,739,622</td>
</tr>
<tr>
<td>2007</td>
<td>930,000</td>
<td>808,440</td>
<td>1,738,440</td>
</tr>
<tr>
<td>2008</td>
<td>975,000</td>
<td>764,736</td>
<td>1,739,736</td>
</tr>
<tr>
<td>2009</td>
<td>1,025,000</td>
<td>718,101</td>
<td>1,743,101</td>
</tr>
<tr>
<td>2010 - 2014</td>
<td>5,975,000</td>
<td>2,763,370</td>
<td>8,738,370</td>
</tr>
<tr>
<td>2015 - 2019</td>
<td>7,780,000</td>
<td>1,040,682</td>
<td>8,820,682</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$18,425,000</strong></td>
<td><strong>$7,833,723</strong></td>
<td><strong>$26,258,723</strong></td>
</tr>
</tbody>
</table>

Changes in long-term liabilities:

<table>
<thead>
<tr>
<th></th>
<th>Balance 01/01/2004</th>
<th>Additions</th>
<th>Reductions</th>
<th>Balance 12/31/2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued compensated absences</td>
<td>$359,247</td>
<td>$32,005</td>
<td>-</td>
<td>$391,252</td>
</tr>
<tr>
<td>General obligation bonds</td>
<td>19,235,000</td>
<td>-</td>
<td>(810,000)</td>
<td>18,425,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$19,594,247</strong></td>
<td><strong>$32,005</strong></td>
<td><strong>(810,000)</strong></td>
<td><strong>$18,816,252</strong></td>
</tr>
</tbody>
</table>

7. **RETIREMENT PLAN**

The System offers a defined contribution retirement plan to all employees who have completed at least one year of employment, which must include at least 1,000 work hours per year. The employee must contribute 4% of gross salary to participate and may contribute up to 100% as long as the deferral does not exceed the IRS maximum of $13,000, or $16,000 if the employee qualifies for the catch-up contributions. The System only matches the 4% participation amount for each employee.

Employees are fully vested after six years of participation in the plan. The employer’s contributions were $65,852 and $61,133 for 2004 and 2003, respectively.

8. **LEASES**

During 2004, the System entered into an operating lease for the facility in Southern Boone County which expires August 31, 2005. Lease payments are $3,335 per month. The future minimum lease payments for the remaining term of this lease are $26,680. The lease provides for the option to extend up to three additional one year terms. Expenditures for this lease during 2004 totaled $35,238.

9. **RISK MANAGEMENT**

The System purchases commercial insurance to cover various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters; and for employee health, dental, and life coverage. There were no significant reductions in insurance coverage during the past fiscal year.
10. FUND EQUITY

Reservations of the fund balance of governmental funds are established to either (1) satisfy legal covenants that require a portion of the fund balance be segregated or (2) identify a portion of the fund balance that may not be appropriated for future expenditures.

Fund balances of governmental funds may be designated by the Board of Trustees for specific future use. Fund balances at December 31, 2004 have been designated for the following purposes:

General Fund:

- Future capital improvements of buildings owned by districts $466,457
- Future equipment, furniture and similar capital outlay 120,000
- Implementation of the Master Facilities Plan 881,950

Total designated general fund balance $1,468,407

11. COMMITMENTS

During 2001, a donor pledged $240,000 to be distributed to the CLD in ten consecutive equal annual installments of $24,000, for the purpose of paying and defraying the costs of the design, fabrication, installation, and other associated costs of artwork for the entrance to the Columbia Public Library building. Under current accounting standards applicable to governmental entities, the System will report the gift in the governmental fund financial statements as revenue when the installments are received. In reliance upon the donor’s gift, the CLD Board of Trustees determined that the 1999 Series General Obligation Library Bonds proceeds may be used to pay the cost of the ornamental entry artwork. In turn, the gift installments will be deposited in the Debt Service Fund to repay the bond debt.

12. IMPLEMENTATION OF GASB 34

As explained in Note 1, the Library has adopted Government Standards Board Statement No. 34 – Basic Financial Statements – and Management’s Discussion and Analysis for State and Local Governments (GASB 34). The implementation of this new accounting principle resulted in several changes.

The following is a reconciliation of the beginning of year governmental fund balances, as restated, to net assets, beginning of year, as reported on the statement of activities (Exhibit 2):

Total fund balances, beginning of year, as restated $13,658,466

Assets and liabilities not recorded in governmental funds:

- Capital assets 27,007,761
- Receivable for anonymous gift for sculptures 144,000
- Deferred property tax revenue 268,096
- Long-term compensated absences (359,247)
- General obligation bonds (19,235,000)

Net assets, beginning of year $21,484,076

General long-term obligations, consisting of compensable leave and general obligation bond debt, are not reported as liabilities in governmental funds, but are reported in the government-wide statement of net assets. The governmental fund financial statements recognize the proceeds of new debt as other financing sources of the current period and issuance costs are reported as expenditures.
In conjunction with implementing GASB 34, the System has for the first time recognized its collection of books and related materials as capital assets. Accordingly, management has adjusted its capital assets accounts at the beginning of the year (see Note 5) as follows:

Total capital assets, beginning of the year, as previously reported $ 28,797,145
Capitalize the cost of books and materials 5,452,697
Total capital assets beginning of the year, as restated $ 34,249,842

Indirectly related to implementing GASB 34, in 2004 the System began recording property taxes in its governmental fund financial statements on a modified accrual basis as required by generally accepted accounting principles. As a result, beginning fund balances have been restated for the Statement of Revenues, Expenditures, and Changes in Fund Balance (Exhibit 4) as follows:

<table>
<thead>
<tr>
<th>Fund balance, beginning of the year, as previously reported</th>
<th>General</th>
<th>Service Fund</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 3,832,629</td>
<td>$ 634,518</td>
<td>$ 85,387</td>
<td></td>
</tr>
<tr>
<td>Adjustments:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Add: property tax receivable</td>
<td>5,701,102</td>
<td>1,638,248</td>
<td>23</td>
</tr>
<tr>
<td>Less: deferred property tax revenue</td>
<td>(210,944)</td>
<td>(57,145)</td>
<td>(7)</td>
</tr>
<tr>
<td>Fund balance, beginning of the year, as restated</td>
<td>$ 9,322,787</td>
<td>$ 2,215,621</td>
<td>$ 85,403</td>
</tr>
</tbody>
</table>

13. ADVANCE REFUNDING OF GENERAL OBLIGATION DEBT

On January 24, 2005 the Columbia Library District approved the transfer of $1,165,000 from the Capital Project Fund in order to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments. This $1,165,000 will be used for a $1,085,000 defeasance of the general obligation bond debt with the difference being applied to the debt service interest when the debt can be called on March 1, 2009. This advance refunding will result in a savings in debt service interest of $730,225.

As a result of the $1,165,000 transfer, the following will replace the old debt payment schedule shown in Note 6:

<table>
<thead>
<tr>
<th>Year ending December 31:</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$ 850,000</td>
<td>$ 832,895</td>
<td>$ 1,682,895</td>
</tr>
<tr>
<td>2006</td>
<td>890,000</td>
<td>793,745</td>
<td>1,683,745</td>
</tr>
<tr>
<td>2007</td>
<td>930,000</td>
<td>752,563</td>
<td>1,682,563</td>
</tr>
<tr>
<td>2008</td>
<td>975,000</td>
<td>708,858</td>
<td>1,683,858</td>
</tr>
<tr>
<td>2009</td>
<td>1,025,000</td>
<td>662,224</td>
<td>1,687,224</td>
</tr>
<tr>
<td>Total for 2010 through 2014</td>
<td>5,975,000</td>
<td>2,483,980</td>
<td>8,458,980</td>
</tr>
<tr>
<td>Total for 2015 through 2019</td>
<td>6,695,000</td>
<td>789,233</td>
<td>7,484,233</td>
</tr>
<tr>
<td></td>
<td>$ 17,340,000</td>
<td>$ 7,023,498</td>
<td>$ 24,363,498</td>
</tr>
</tbody>
</table>

27
14. 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. The System received a total of $64,446 in contributions and materials from these organizations and was reimbursed for $600 from the Foundation of the Daniel Boone Regional Library for its expenditures.
### Statement of Revenues, Expenditures, and Changes in Fund Balance

**Daniel Boone Regional Library**

(Columbia Library District)

**Statement of Revenues, Expenditures, and Changes in Fund Balance**

- Project Budget Compared with Actual -

**Capital Project Fund**

Project to Date as well as the Year Ended December 31, 2004

<table>
<thead>
<tr>
<th></th>
<th>Total Project Budget</th>
<th>Project to Date Actual</th>
<th>Remaining Budget</th>
<th>For the Year Ended December 31, 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on investments</td>
<td>$2,651,400</td>
<td>$2,669,706</td>
<td>($18,306)</td>
<td>$20,924</td>
</tr>
<tr>
<td>Other revenue</td>
<td>23,790</td>
<td>28,487</td>
<td>(4,697)</td>
<td>4,697</td>
</tr>
<tr>
<td><strong>Net revenues</strong></td>
<td>2,675,190</td>
<td>2,698,193</td>
<td>(23,003)</td>
<td>25,621</td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Building project costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Architect and engineering fees</td>
<td>2,118,861</td>
<td>2,105,137</td>
<td>13,724</td>
<td>9,370</td>
</tr>
<tr>
<td>Consulting fees</td>
<td>86,865</td>
<td>82,933</td>
<td>3,932</td>
<td>-</td>
</tr>
<tr>
<td>Owner provided services</td>
<td>601,260</td>
<td>576,492</td>
<td>24,768</td>
<td>6,748</td>
</tr>
<tr>
<td>Project management advisor</td>
<td>175,821</td>
<td>175,821</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Construction</td>
<td>19,549,715</td>
<td>19,490,792</td>
<td>58,923</td>
<td>141,621</td>
</tr>
<tr>
<td>Contingencies</td>
<td>800,063</td>
<td>-</td>
<td>800,063</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total building project costs</strong></td>
<td>23,332,585</td>
<td>22,431,175</td>
<td>901,410</td>
<td>157,739</td>
</tr>
<tr>
<td>Bond issuance costs and fees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment consultant</td>
<td>25,500</td>
<td>24,000</td>
<td>1,500</td>
<td>2,000</td>
</tr>
<tr>
<td>Bond costs</td>
<td>102,740</td>
<td>102,740</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total bond issuance costs and fees</strong></td>
<td>128,240</td>
<td>126,740</td>
<td>1,500</td>
<td>2,000</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>23,460,825</td>
<td>22,557,915</td>
<td>902,910</td>
<td>159,739</td>
</tr>
<tr>
<td><strong>Excess (deficiency) of revenues over expenditures</strong></td>
<td>(20,785,635)</td>
<td>(19,859,722)</td>
<td>925,913</td>
<td>(134,118)</td>
</tr>
<tr>
<td><strong>Other Financing Sources (Uses)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from issuance of bonds</td>
<td>21,785,635</td>
<td>21,785,635</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Operating transfers in (and out)</td>
<td>(1,000,000)</td>
<td>(525,376)</td>
<td>474,624</td>
<td>(500,000)</td>
</tr>
<tr>
<td><strong>Total other financing sources (uses)</strong></td>
<td>20,785,635</td>
<td>21,260,259</td>
<td>474,624</td>
<td>(500,000)</td>
</tr>
<tr>
<td><strong>Excess (deficiency) of revenues and other financing sources over expenditures</strong></td>
<td>$</td>
<td>$1,400,537</td>
<td>$1,400,537</td>
<td>($634,118)</td>
</tr>
</tbody>
</table>