

**GORHAM-MACBANE PUBLIC LIBRARY
(A Joint Venture)
Financial Statements
June 30, 2011**

Gorham-MacBane Public Library
(A Joint Venture)
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Gorham-MacBane Public Library
(A Joint Venture)
Board of Director and Key Employees
June 30, 2011

Board of Directors

Cindy Sneed, Chairman	Springfield, Tennessee
Linda Thompson, Secretary	Springfield, Tennessee
Sherry Eden	White House, Tennessee
Jonathan Garner	Springfield, Tennessee
Mary Sue Head	Springfield, Tennessee
James Marshall	Springfield, Tennessee
Bernard Wood	Springfield, Tennessee
Carol Sletto	Springfield, Tennessee

Key Employees

Mary Schmidt, Librarian	Springfield, Tennessee
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Gorham-MacBane Public Library
Springfield, Tennessee

We have audited the accompanying financial statements of the governmental activities and each major fund of Gorham-MacBane Public Library as of and for the year ended June 30, 2011, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

The financial statements do not include financial data for the Library's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the Library's primary government unless the Library also issues financial statements for the financial reporting entity that include the financial data for its component units. The Library has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net assets, revenues, and expenses of the aggregate discretely presented component units may have been reported as \$601,410, zero, \$601,410, \$98,263 and \$33,271, respectively.

In our opinion, because of the omission of the discretely presented component units, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of the Gorham-MacBane Public Library, as of June 30, 2011, or the changes in financial position thereof for the year then ended.

Except as explained in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinions.

Because of the lack of a historical audit trail with respect to the fixed assets, we were not able to satisfy ourselves as to the completeness of fixed assets or the accuracy of the computation of the related accumulated depreciation or depreciation expense. The completeness and accuracy of fixed assets and the related depreciation materially affect the determination of the financial position and results of revenues, expenses and changes in net assets for the year ended June 30, 2011.

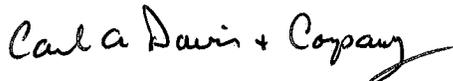
Because of the matter discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the statement of net assets and the statement of activities for the year ended June 30, 2011.

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of each major fund of Gorham-MacBane Public Library as of June 30, 2011, and the respective changes in fund balance thereof and the respective budgetary comparison of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Gorham-MacBane Public Library's basic financial statements. The Schedule of Revenue on page 19 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Revenues 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.

The Schedule of Funding Progress on page 18 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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.

In accordance with Government Auditing Standards, we have also issued our report dated May 30, 2012, on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

Gorham-MacBane Public Library has not presented a Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.



Carl A. Davis & Company, CPAs
Hendersonville, TN
May 30, 2012

Gorham-MacBane Public Library
(A Joint Venture)
Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>
ASSETS	
<u>Current Assets</u>	
Cash on Hand	\$ 25
Cash	212,289
	212,314
Total Current Assets	212,314
<u>Capital Assets</u>	
Books	1,084,142
Audio-Visual	143,780
Furniture and Equipment	228,155
Building	164,279
Construction in Progress	177,163
Land	60,000
Less: Accumulated Depreciation	(1,300,802)
	556,716
Net Capital Assets	556,716
<u>Other Assets</u>	
Cash-Restricted	20,000
Prepaid Expense	1,175
	21,175
Total Other Assets	21,175
Total Assets	\$ 790,205
LIABILITIES AND NET ASSETS	
<u>Current Liabilities</u>	
Accounts Payable	729
Other Accrued Liabilities	488
	1,217
Total Current Liabilities	1,217
<u>Net Assets</u>	
Invested in Capital Assets	556,716
Restricted for Anna Pearson McIntosh Fund	20,000
Unrestricted	212,272
	788,989
Total Net Assets	788,989
Total Liabilities & Net Assets	\$ 790,205

Gorham-MacBane Public Library
(A Joint Venture)
Statement of Activities
For the Year Ended June 30, 2011

	Expenses	Program Revenue		Net (Exp) Rev and Changes in Net Assets
Primary Government		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Library Services	\$ 367,521	\$ 27,428	\$ 335,366	\$ (4,727)
Total Governmental Activities	\$ 367,521	\$ 27,428	\$ 335,366	\$ (4,727)
General Revenues				
Investment Income				\$ 156
Total General Revenues				156
Change in Net Assets				(4,571)
Beginning Net Assets				793,560
Ending Net Assets				\$ 788,989

Gorham-MacBane Public Library
(A Joint Venture)
Balance Sheet
Governmental Fund
June 30, 2011

	General Fund
ASSETS	
<u>Current Assets</u>	
Cash on Hand	\$ 25
Cash	212,289
Total Current Assets	212,314
<u>Other Assets</u>	
Cash-Restricted	20,000
Prepaid Expense	1,175
Total Other Assets	21,175
Total Assets	\$ 233,489
LIABILITIES AND FUND BALANCES	
<u>Current Liabilities</u>	
Accounts Payable	729
Other Accrued Liabilities	488
Total Current Liabilities	1,217
<u>Fund Balance</u>	
Reserved for Anna Pearson McIntosh Fund	20,000
Unreserved	212,272
Total Fund Balance	232,272
Total Liabilities & Fund Balance	\$ 233,489
Total Fund Balance - Modified Accrual Basis	\$ 232,272
Amounts reported for governmental activities in the statement of net assets that are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	556,716
Net assets of governmental activities	\$ 788,989

Gorham-MacBane Public Library
(A Joint Venture)
Statement of Revenues, Expenditures, & Changes in Fund Balances
Governmental Fund
For the Year Ended June 30, 2011

	General Fund
<u>Revenues</u>	
Revenues (See Schedule on pg 19)	\$ 44,989
Total Revenues	44,989
<u>Expenditures</u>	
Salaries & Related Items	201,031
Utilities	13,811
Telephone	5,331
Maintenance & Repair	13,367
Supplies	14,321
Postage and Mailing Service	2,946
Insurance	2,422
Books	44,682
Periodicals	1,492
Audio-Visual Materials	17,220
Capital Outlay	108,480
Book Lease	876
Professional Services	13,714
Staff Development	998
Other Expenses	1,238
Software	3,383
Total Expenditures	445,311
Excess(Deficiency) of Revenues over Expenditures	\$ (400,321)
<u>Other Financing Sources</u>	
Robertson County Appropriation	\$ 159,045
City of Springfield Appropriation	158,916
Total Non-Operating Revenues	317,961
Increase(Decrease) in Fund Balance	(82,361)
Unreserved Fund Balance at Beginning of the Year	294,633
Unreserved Fund Balance at End of the Year	\$ 212,272

Gorham-MacBane Public Library
(A Joint Venture)
Statement of Revenues, Expenditures, & Changes in Fund Balances
Governmental Fund
For the Year Ended June 30, 2011

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

Net Change in Fund Balance	\$ (82,361)
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Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Library Books and other Audio-Visual	61,902
Capital Outlay	108,480
Net Book Value of Disposed Assets	-
Depreciation	<u>(92,592)</u>

Change in Net Assets of Governmental Activities	<u><u>\$ (4,571)</u></u>
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Gorham-MacBane Public Library
(A Joint Venture)
Statement of Revenues, Expenditures, & Changes in Fund Balances
Actual to Budget
General Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenues (See Schedule on pg 19)	\$ 29,000	\$ 31,000	\$ 44,989	\$ 13,989
Total Revenues	29,000	31,000	44,989	13,989
Expenditures				
Salaries & Related Items	215,450	215,450	201,031	14,419
Utilities	14,600	14,600	13,811	789
Telephone	5,600	5,600	5,331	269
Maintenance & Repair	13,300	13,400	13,367	33
Supplies	15,000	15,000	14,321	679
Postage and Mailing Service	-	-	2,946	(2,946)
Insurance	3,000	3,000	2,422	578
Books	32,000	32,000	44,682	(12,682)
Periodicals	1,500	1,500	1,492	8
Audio-Visual Materials	17,400	17,400	17,220	180
Capital Outlay	6,300	6,300	108,480	(102,180)
Book Lease	-	-	876	(876)
Professional Services	13,900	13,900	13,714	186
Staff Development	1,100	1,100	998	102
Other Expenses	3,740	3,740	1,238	2,502
Software	4,200	4,200	3,383	817
Total Expenditures	347,090	347,190	445,311	(98,121)
Excess of Revenues (Expenditures) Over Expenditures (Revenues)	(318,090)	(316,190)	(400,322)	(84,132)
Other Financing Sources				
Robertson County Appropriation	159,045	159,045	159,045	-
City of Springfield Appropriation	159,045	159,045	158,916	(129)
Total Non-Operating Revenues	318,090	318,090	317,961	(129)
Excess of Revenues and Other Financing Sources (Expenditures) over Expenditures (Revenues and Other Financing Sources)	\$ -	\$ 1,900	\$ (82,361)	\$ (84,261)

Gorham-MacBane Public Library
(A Joint Venture)
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

A. Organization

Gorham-MacBane Public Library was created in February 1969 by the City of Springfield and Robertson County, Tennessee. The City and the County each provide half of the operating funds needed to supplement other revenues of the Library. The purpose of the Library is to furnish information to the citizens of Springfield and Robertson County, Tennessee.

B. Basis of Presentation

The Library's financial statements are presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

C. Reporting Entity

The Library is accounted for as a joint venture between Robertson County and the City of Springfield as defined in GASB 14. The City and County agreed to split the operational costs of the Library equally. Board members are appointed by the County. Fixed assets used by the Library would revert to the City and County if the Library were ever disbanded.

The accompanying financial statements present the governmental operations of the Gorham-MacBane Public Library. See paragraph J regarding discrete component units.

D. Basic Financial Statements – Government-Wide Statements

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major fund). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Library's services are classified as governmental activities. The Library has no business-type activities. In the government-wide Statement of Net Assets the governmental activities column is presented on a consolidated basis by column, and is reported on a full accrual, economic resource basis, which recognizes all long-term debt and obligations. The Library's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The government-wide Statement of Activities reports both the gross and net cost of each of the Library's functions. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating

Gorham-MacBane Public Library
(A Joint Venture)
Notes to Financial Statements

D. Basic Financial Statements – Government-Wide Statements (continued)
and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants.

The net costs by function are normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.). The general revenue of the Library consists of unrestricted investment income only.

This government-wide focus is more on the sustainability of the Library as an entity and the change in the Library's net assets resulting from the current year's activities.

E. Basic Financial Statement – Fund Financial Statements

The financial transactions of the Library are reported in individual funds in the fund financial statements. The operations of each fund are summarized by providing a separate set of self-balancing accounts which include assets, liabilities, fund equity, revenues and expenditures. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions.

The Library reports the following major general fund:

Government Fund Types:

General Fund – The General Fund is the general operating fund of the library. It is used to account for all financial resources except those required to be accounted for in another fund. All of the essential governmental services are reported in the General Fund.

All revenues are attributable to the providing of library services.

Gorham-MacBane Public Library
(A Joint Venture)
Notes to Financial Statements

F. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual— The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual — The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

G. Financial Statement Accounts

Cash

Cash consists of deposits in local banks and a money market account held at Edward Jones Investments. These deposits are stated at cost at June 30, 2011. All of the bank deposits are covered by federal depository insurance and insured by the State of Tennessee bank collateral pool. The Edward Jones money market account is fully insured by SPIC.

Fixed Assets

Capital assets purchased or acquired are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line or double-declining balance basis over the following estimated useful lives:

Buildings and Additions	40 years
Books and Audio Visual	5 years
Furniture and Equipment	5 - 40 years

Revenues

Revenues consist almost entirely of allocations provided by the City of Springfield and Robertson County. These revenues are recognized when they become available.

Other revenues include fines, donations and gifts, and in-kind allocations from the Warioto Regional Library Center. These revenues have no receivable component and are recognized when collected or provided.

Expenses

Expenses are recorded when the related liability is incurred.

Gorham-MacBane Public Library
(A Joint Venture)
Notes to Financial Statements

G. Budgets

The Library Board appoints a committee, consisting of board members along with the librarian, which formulates the original budget. The budget is then submitted to the Library Board for approval. After the Library Board has approved the budget, it is then submitted to the City of Springfield Aldermen for approval. After the City Aldermen have approved the budget, it is then submitted to the budget committee of the Robertson County Commission. Upon passing review of the budget committee, it is then submitted to the full County Commission which has the final approval. The operating budget includes proposed expenditures and the means of financing them. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States except that the budgeted cost of fixed assets purchased is included as expenditures. Budget amendments require approval by the Board of Directors.

When unexpected or excess financing becomes available during the year, the Library Board has given the librarian authority to use her discretion as to how the funds are to be used unless stipulated by the donor or grantor. Some expense items appear to be in excess of the budgeted amounts for 2011. Since funding is an unknown variable for the library, expenditures are difficult to budget throughout the year. As funding becomes available, the board often authorizes additional expenditures.

The Library's budgetary basis of accounting is consistent with generally accepted accounting principles.

H. Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses.

I. Jointly Governed Organizations

The Gorham-MacBane Library Board comprises the governing Board for Robertson County of the Regional Library system, which is a component of the State Library System. The Library does not provide and is not liable for any financial support of the system.

J. Component Units

Management has determined that the Friends of the Library, Inc., a legally separate organization, meets the criteria to be a discrete component unit of the Library. Had the Friends organization been audited and included in the Library's report, it may have shown approximately \$601,410 in cash and temporary investments, \$98,263 in revenue and \$64,992 in net income for the year ending March 31, 2011. The Friends organization operates on a fiscal year basis. These amounts are the representation of management of the Friends of the Library, Inc. and have not been audited or reviewed.

Gorham-MacBane Public Library
(A Joint Venture)
Notes to Financial Statements

Note 2 – Cash

The Library is allowed to invest funds in a manner as defined in the Tennessee Code Annotated. At June 30, 2011, the balance of the Library's deposits were as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
US Bank	\$ 67,514	\$ 80,961
Edward Jones Money Market	135,956	135,956
Bank of America	<u>8,819</u>	<u>8,819</u>
Total	\$ 212,289	\$ 225,736

All deposits are insured by FDIC or SPIC. See also Note 4 Restricted Cash.

Note 3 – Pension Plan

Plan Description

Employees of Gorham MacBane Public Library are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 and with five years of service or at any age with thirty years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Gorham-MacBane Public Library participates in the TCRS as individual entities and is liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to political subdivisions unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230 or at www.treasury.state.tn.us.

Gorham-MacBane Public Library
(A Joint Venture)
Notes to Financial Statements

Note 3 – Pension Plan (continued)

Funding Policy

Gorham-MacBane Public Library requires employees to contribute 5.0% of earnable compensation.

Gorham-MacBane Public Library is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2011 was 7.7% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Gorham-MacBane Public Library is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2011, Gorham-MacBane Public Library's annual pension cost of \$6,923 to TCRS was equal to Gorham-MacBane's Public Library's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen initial liability actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases on a graded scale (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Gorham-MacBane Public Library's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at June 30, 2009 was 6 years.

<i>Fiscal Year Ending</i>	<u>Trend Information</u>		<i>Net Pension Obligation</i>
	<i>Annual Pension Cost (APC)</i>	<i>Percent of APC Contributed</i>	
June 30, 2011	\$ 6,923	100.00%	\$0.00
June 30, 2010	\$10,525	100.00%	\$0.00
June 30, 2009	\$14,116	100.00%	\$0.00
June 30, 2008	\$10,079	100.00%	\$0.00

Note 4 – Investment – Restricted Cash

Restricted cash consists of a \$20,000 endowment held in trust and invested in a certificate of deposit. The certificate of deposit earns interest at rates commensurate with prevailing market rates for one-year certificates and renews annually. The market value of this instrument is not materially different from its carrying value presented in the financial statements. The library is allowed to use the earnings only, not the corpus, for general budget purposes. The certificate of deposit is insured by the FDIC.

Gorham-MacBane Public Library
(A Joint Venture)
Notes to Financial Statements

Note 5 – Fixed Assets

	Balance June 30, 2010	Additions	Disposals	Balance June 30, 2011	Accum. Deprec.	Net Book Value June 30, 2011
Depreciable Assets						
Books	1,039,461	44,681		1,084,142	868,413	215,729
Audio-Visual	126,560	17,220		143,780	104,385	39,395
Furniture & Fixtures	220,973	7,181		228,154	163,725	64,429
Construction in Progress	75,863	101,300		177,163	0	177,163
Building	164,279			164,279	164,279	0
Total	1,627,136	170,382	0	1,797,518	1,300,802	496,716
Non-Depreciable Assets						
Land	60,000			60,000		60,000
Total	60,000	0	0	60,000	0	60,000
Total Assets	1,687,136	170,381	0	1,857,518	1,300,802	556,716

Depreciation Expense of \$92,592 was charged to the library services governmental activity. The Library has no capitalization policy.

Note 6 – Leases

Gorham MacBane Public Library participated in operating leases for books and audio books in the current fiscal year. The lease agreements are one-year agreements. The audio book lease of \$5,254 was with Landmark Audio.

Note 7 – State Appropriation

The Library receives support from the Warioto Regional Library Center annually based on the funding the Warioto Regional Library Center receives from the State of Tennessee and the service area population of Robertson County in relation to other counties serviced by Warioto. For the fiscal year ended June 30, 2011, Gorham-MacBane Public Library received funding of \$13,177 from the Warioto Regional Center. Gorham-MacBane does not receive this support in the form of cash payments. Warioto uses these funds to purchase books and audio visual materials on behalf of the library.

Gorham-MacBane Public Library
(A Joint Venture)
Notes to Financial Statements

Note 8 – Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters and workers' compensation claims for which the library carries commercial insurance. Settlements have not exceeded insurance coverage for any claims in the prior three fiscal years.

Note 9 – Restricted Fund Balance

Governmental funds report reservations of fund balance for amounts that are not available to appropriation or are legally restricted by outside parties for use for a specified purpose.

The Library was the recipient of a \$20,000 trust to be known as the Anna Pearson MacIntosh Trust. The conditions of the trust are as follows: the principal of the trust must be kept intact and must be held in a federally secure deposit (See Note 4). Only the interest earned may be used by the Library.

Note 10 – Concentrations

Gorham-MacBane Public Library received approximately 87% of its funding from Robertson County and the City of Springfield. For the year ending June 30, 2011, Robertson County accounted for approximately 44% and the City of Springfield accounted for approximately 43% of the Library's funding, respectively.

Note 12 – Designated Fund Balance

As of June 30, 2011 the Library had designated assets and fund balance of \$135,956. This designation is for a building fund.

Note 13 – Subsequent Events

Management has evaluated events from June 30, 2011 through May 30, 2012, the date at which these financial statements were available to be issued for events that impact these financial statements. In early 2012, the Library received commitments from Robertson County and the City of Springfield for \$1,000,000 each which will be restricted for use in library expansion. As of the date of these statements, no funds have been received by the Library. No other events requiring inclusion or disclosure have been identified.

END OF NOTES

**Supplementary Information
and
Supporting Schedules**

Schedule of Funding Progress for Gorham-MacBane Library, 809.32

(Dollar amounts in thousands)

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Unfunded AAL (UAAL)</i>	<i>Funded Ratio</i>	<i>Covered Payroll</i>	<i>UAAL as a Percentage of Covered Payroll</i>
	(a)	(b)	(b) – (a)	(a/b)	(c)	((b– a)/c)
July 01, 2009	\$207	\$238	\$ 31	86.97%	\$ 90	34.44%
July 01, 2007	\$200	\$233	\$ 33	85.84%	\$117	28.21%
July 01, 2005	\$164	\$211	\$ 47	77.73%	\$111	42.34%

Gorham-MacBane Public Library
(A Joint Venture)
Schedule of Revenue
For the Year Ended June 30, 2011

Revenues:

Service Revenue	
Book Sales	\$ 383
Copies	4,552
Fines	16,753
Lost Books	1,139
Miscellaneous	3,920
New Cards	681
Total Service Revenue	<u>27,428</u>
Other Revenues	
Donations & Gifts	2,016
State Grant for Technology	1,000
Interest	156
Memorials	1,212
Warioto Regional Library Center	13,177
Total Other Revenues	<u>17,561</u>
Total Revenues	<u><u>\$ 44,989</u></u>



Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Directors
Gorham-MacBane Public Library
Springfield, Tennessee

We have audited the financial statements of the Gorham-MacBane Public Library as of and for the year ended June 30, 2011, and have issued our report thereon dated May 30, 2012. Our report included a disclaimer of opinion on the statement of net assets and the statement of activities due to scope limitations. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Gorham-MacBane Public Library is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Gorham-MacBane Public Library's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 consider the deficiencies described in the accompanying schedule of findings and questioned costs 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Library's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Library's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization, the Tennessee State Comptrollers Office, and other regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.



Carl A. Davis & Company, CPA's
Hendersonville, Tennessee
May 30, 2012

Gorham-MacBane Public Library
Schedule of Findings and Questioned Costs
June 30, 2011

Follow-up on Prior Year Findings

Finding 2010-1 - The fixed asset records, especially those related to library books, do not provide a reliable audit trail to substantiate the value of capital assets.

Current Year Status – Finding repeated.

Finding 2010-2 - A complete segregation of duties does not exist at the library.

Current Year Status – Finding repeated.

Finding 2010-3 - The library does not have financial staff with adequate knowledge to produce financial statements and disclosures in conformity with generally accepted accounting principals.

Current Year Status – The library engaged an outside CPA firm in January 2011 to provide financial management services. This finding is not repeated.

Finding 2010-4 - Certain library expenditures exceed budgeted amounts.

Current Year Status – Finding repeated.

Finding 2010-5 - Multiple accounting deficiencies were noted.

Current Year Status – No such deficiencies were noted in the current year.

Current Year Findings

Finding 2010-1 (repeat finding)

Statement of Condition

The fixed asset records, especially those related to library books, do not provide a reliable audit trail to substantiate the value of capital assets.

Criteria

Fixed asset records should be periodically evaluated and reconciled in order to safeguard and provide values of capital assets.

Effect of Condition

A lack of verified fixed asset records increases the potential for theft and attrition losses to go undetected.

Gorham-MacBane Public Library
Schedule of Findings and Questioned Costs
June 30, 2011

Cause of Condition

The time and resources needed to verify the list of assets, and in particular the immense volume of books, has not been readily available.

Recommendation

Management should further their efforts to attach a valuation to books in the circulation system.

Management Response

Comparison with other libraries in the area shows that our fixed asset records are similar in condition to others. A new circulation system implemented in 2008 allows tracking of virtually all items in the circulation system and books are deleted from the system periodically. We will continue to improve this system as determined practical.

Finding 2010-2 (repeat finding)

Statement of Condition

A complete segregation of duties does not exist at the library.

Criteria

Accounting duties should be segregated to avoid too much control concentrated to a single individual.

Effect of Condition

Inadequate segregation can lead to opportunities for fraud.

Cause of Condition

The library lacks funding to provide for enough staff to fully segregate duties.

Recommendation

Library management should continue to look for opportunities to segregate where possible and board members should provide involvement where practical.

Management Response

With the engagement of an outside CPA to provide financial management, we believe controls have been greatly strengthened. We will continue to provide further segregation where feasible and implement accounting practices to better safeguard assets.

Finding 2010-3 (repeat finding)

Statement of Condition

Certain library expenditures exceed budgeted amounts.

Gorham-MacBane Public Library
Schedule of Findings and Questioned Costs
June 30, 2011

Criteria

Budgets are established to ensure appropriate use of library resources.

Effect of Condition

Overages in budgeted expenditures, when not matched by additional revenue, can lead to shortages of resources.

Cause of Condition

Overages in the current year are caused by not including in-kind or paid on behalf of expenditures in the budget, as well as expenditures on library expansion that were paid from building fund reserves.

Recommendation

Management should adopt a budgeting process that includes the consideration of all General Fund items.

Management Response

The board reviews revenue and expense at line item level each month. On a net basis, the library's total operating revenues exceeded total operating expenditures by \$18,939 versus a breakeven budget. We will further improve our budgeting process to include the items noted above.