

CLARKSVILLE - MONTGOMERY COUNTY

PUBLIC LIBRARY

AUDITED FINANCIAL STATEMENTS

AND OTHER INFORMATION

JUNE 30, 2012

CLARKSVILLE - MONTGOMERY COUNTY PUBLIC LIBRARY
JUNE 30, 2012

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CLARKSVILLE - MONTGOMERY COUNTY PUBLIC LIBRARY
JUNE 30, 2012

GENERAL INFORMATION

A. General

The Clarksville - Montgomery County Library (the Library) was created on August 6, 1959, by an agreement between the City of Clarksville and Montgomery County. A joint City-County Public Library Board was charged with the maintenance and operation of the Public Library for the benefit of residents of both Montgomery County and the City of Clarksville. The organizations functioned as a joint venture between the City of Clarksville and Montgomery County until July 1, 2004, when Montgomery County took over the funding of the Library. The Library is now a component unit of Montgomery County. Revised by-laws effective December 5, 2005, provide for all board members to be appointed by the Montgomery County Board of Commissioners.

B. Board of Trustees

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Cathy Stafford	Chairman	2012
David Farris	Vice-Chairman	2013
Matthew Ellis	Treasurer	2013
Harriet Mabry	Secretary	2014
Khandra Smalley	Member	2014
Jim Marshall	Member	2012
Jeremy Bowles	Member	2014
Carol Clark	Member	2014
Peggy Taylor	Member	2012



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Clarksville-Montgomery County Public Library
350 Pageant Lane
Clarksville, Tennessee

We have audited the accompanying financial statements of the governmental activities and the general fund of the Clarksville-Montgomery County Public Library (the Library), a component unit of Montgomery County, as of and for the year ended June 30, 2012, 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 an opinion on these financial statements based on our audit. We did not audit the financial statements of the Clarksville-Montgomery County Public Library Foundation, which comprises the Library's discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Clarksville-Montgomery County Public Library Foundation, is based on the reports of other auditors.

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 and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the general fund, and the discretely presented component unit of the Library as of June 30, 2012, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 7 to the financial statements, the statement of activities of the Clarksville-Montgomery County Public Library Foundation covers the period from January 1, 2012 to June 30, 2012.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 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 assessing the results of our audit.

The Library has not presented the Management Discussion and Analysis, that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Library's financial statements as a whole. The other financial information and the introductory section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

One Source Accounting & Tax

December 14, 2012

CLARKSVILLE-MONTGOMERY COUNTY PUBLIC LIBRARY
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS
JUNE 30, 2012

	General Fund	Adjustments	Statement of Net Assets	Component Unit - Library Foundation 6/30/12
<u>ASSETS</u>				
Cash on Hand	\$ 1,750	\$ -	\$ 1,750	\$ -
Cash in Bank	60,914	-	60,914	176,094
Restricted Cash	244,469	-	244,469	-
Restricted Investments	-	-	-	2,603,806
Customer Receivables	575,639	-	575,639	-
Allowance for Uncollectible Accounts	(287,819)	-	(287,819)	-
Capital Assets, Net of Accumulated Depreciation	-	1,336,336	1,336,336	-
Total Assets	594,953	1,336,336	1,931,289	2,779,900
<u>LIABILITIES</u>				
Accounts Payable	-	-	-	-
Accrued Compensated Absences	53,798	-	53,798	-
Total Liabilities	53,798	-	53,798	-
<u>FUND BALANCES/NET ASSETS</u>				
Fund Balances:				
Restricted - Memorial Funds	6,873	(6,873)		
Restricted - Library Foundation Funds	237,596	(237,596)		
Unassigned	296,686	(296,686)	-	-
Total Fund Balances	541,155	(541,155)	-	-
Total Liabilities and Fund Balances	\$ 594,953			
Net Assets				
Invested in Capital Assets		1,336,336	1,336,336	-
Restricted		244,469	244,469	2,779,900
Unrestricted		296,686	296,686	-
Total Net Assets		\$ 1,877,491	\$ 1,877,491	\$ 2,779,900

See accompanying notes and auditor's report.

CLARKSVILLE-MONTGOMERY COUNTY PUBLIC LIBRARY
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES/STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Adjustments	Statement of Activities	Component Unit - Library Foundation 1/1/2012 - 6/30/2012
Revenues:				
Montgomery County	\$ 1,630,891	\$ -	\$ 1,630,891	\$ -
Fines and Fees	167,943	-	167,943	-
Interest	452	-	452	37,747
Computer, Fax and Copy Machine	30,774	-	30,774	-
Gracey Trust income	99,903	-	99,903	-
Memorial Income	1,881	-	1,881	-
Donations	8,767	-	8,767	-
Miscellaneous Income	2,652	-	2,652	-
Restricted Donations	-	-	-	64,116
Loss on Sale of Investments	-	-	-	(22)
Net Increase (Decrease) in the Fair Value of investments	-	-	-	71,215
Bequests	239,535	-	239,535	-
Total revenues	2,182,798	-	2,182,798	173,056
Expenditures:				
Current:				
Salaries and Benefits	1,339,812	-	1,339,812	-
Communication Expenses	4,020	-	4,020	-
Custodial Services	12,998	-	12,998	-
Data Processing	32,397	-	32,397	-
Postage and Shipping	5,746	-	5,746	-
Professional Services	23,025	-	23,025	-
Repairs and Maintenance	27,574	-	27,574	-
Supplies	40,309	-	40,309	-
Utilities	107,253	-	107,253	-
Travel	2,253	-	2,253	-
Insurance	4,664	-	4,664	-
Depreciation	-	466,075	466,075	-
Other	17,788	-	17,788	-
Library Support	-	-	-	7,100
Investment Fees	-	-	-	7,631
Capital Outlay:				
Printed Materials	270,748	(270,748)	-	-
Equipment and Furnishings	9,183	(9,183)	-	-
Total expenditures/ expenses	1,897,770	186,144	2,083,914	14,731
Net Change in fund balances/net assets	285,028	(186,144)	98,884	158,325
Fund balances/net assets:				
Beginning of year	256,127	1,522,480	1,778,607	2,621,575
End of year	\$ 541,155	\$ 1,336,336	\$ 1,877,491	\$ 2,779,900

See accompanying notes and auditor's report.

CLARKSVILLE-MONTGOMERY COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Clarksville-Montgomery County Public Library (the Library), for financial purposes, includes all of the funds for which the Library is considered to be financially accountable. The Library is a special purpose single-program government with only governmental activities. The Library is a Component Unit of Montgomery County Government. The board is comprised of members that are appointed by the Montgomery County Commission. The County provides approximately 75% of the revenue of the Library.

B. Combination Government-Wide and Fund Financial Statements

Combination government-wide and fund financial statements are presented for the Library since it is a special purpose single-program governmental entity. The first column of the statements represents the fund financial statements of the Library. The second column from the right of the statements represents the government-wide financial statements for the Library. The adjustment column represents the adjustments necessary to reconcile the fund financial statements to the government-wide financial statements. The explanations of the reconciling items are presented in the Notes 2 and 3 of the notes to the financial statements.

C. Government Wide Financial Statements

The government-wide financial statements include a statement of net assets and a statement of activities. These statements present summaries of governmental activities for the Library.

Government-wide statements are prepared using an economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the Library's assets and liabilities are included in the accompanying statement of net assets.

D. Fund Financial Statements and Measurement Focus

Fund financial statements report detailed information about the Library. The focus of the fund financial statements is on major funds rather than fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which report on sources and uses of current financial resources.

E. Basis of Presentation and Measurement Focus

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Library has only governmental type funds.

Governmental Fund Types

Governmental fund types are used to account for the Library's general government activities. Governmental fund types include the following for the Library:

General Fund

The general fund is the general operating fund of the Library. It is used to account for all financial resources and expenditures.

F. Property, Plant and Equipment

All property, plant and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated items are valued at their estimated fair value on the date donated. No interest was capitalized during the audit period.

Depreciation is computed on capital assets using the straight-line method over the following useful lives:

Furniture and Equipment	5 - 10 years
Building Improvements	10 years
Books and Videos	5 years

Property with an expected life of five years or greater and that is susceptible to misappropriation is capitalized. There is no dollar threshold.

G. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The Library is subject to the accounting directives issued by the Governmental Accounting Standards Board (GASB) and, therefore, has adopted, in all material respects, the provisions of all applicable GASB pronouncements and all applicable pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, which do not conflict with GASB pronouncements.

The Library utilizes the modified accrual basis of accounting as required for governmental fund types. Revenues are recognized when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Library considers revenues to be available if they are collected within sixty days of the end of the fiscal year. All major revenues are susceptible to accrual.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

H. Donated Services

Donated services are not valued as contributions and are not recorded as expenditures.

I. Donated Supplies and Equipment

Donated supplies and equipment are recorded as gifts at fair market value on date donated. Supplies are recorded as expenditures at the same value and donated equipment is capitalized.

J. Accrued Compensated Absences

The Library accrues unused annual leave as compensated absences. Unused sick leave is not valued since it is paid only when actually used.

K. Major Funding

The Library is primarily funded by transfers of funds from Montgomery County. Cessation of funding by Montgomery County would have a major economic impact on the Library and might adversely affect the Library's ability to continue operations.

L. Grant Accounting

Grants are accounted for separately and separate bank accounts are utilized for large grants. The Library received no material grants during the audit period.

M. Restricted/Unrestricted Resources Usage

The Library's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Date of Management Review

Subsequent events have been evaluated through December 14, 2012, which is the date the financial statements were available to be issued.

O. Net Assets and Fund Equity

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

- a. Invested in capital assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation.
- b. Restricted net assets - 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.
- c. Unrestricted net assets - All other net assets that do not meet the definition of restricted or invested in capital assets.

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent.

These classifications may consist of the following:

Nonspendable Fund Balance - includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance - includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance - includes amounts that can only be used for specific purposes pursuant to constraints imposed by the Library Board. These amounts cannot be used for any other purpose unless the Library Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. The Library did not have any committed resources as of June 30, 2012.

Assigned Fund Balance - includes amounts that are constrained by the Library's intent to be used for specific purposes, but are neither restricted nor committed. This intent can be expressed by the Library Board or through the Library Board delegating this responsibility to Library management. The Library did not have any assigned resources at June 30, 2012.

Unassigned Fund Balance - this classification represents fund balance that has not been restricted, committed or assigned to specific purposes.

P. Other Significant Accounting Policies

Other significant accounting policies are described throughout the notes section of this audit report or disclosed in the statement formats.

2. RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET TO STATEMENT OF NET ASSETS

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

Total fund balances - governmental funds	\$ 541,155
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds	<u>1,336,336</u>
Total net assets of governmental activities	<u><u>\$ 1,877,491</u></u>

3. RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

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

Net change in fund balance - total government funds	\$ 285,028
Governmental funds report capital outlay 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. This is the amount by which depreciation exceeded capital outlays in the current period	<u>(186,144)</u>
Change in net assets of governmental activities	<u><u>\$ 98,884</u></u>

4. BANK DEPOSIT INFORMATION

Statement No. 40, "Deposit and Investment Risk Disclosures," of the Governmental Accounting Standards Board, states "If a government has no deposit or investment policy that addresses a specific type of risk that it is exposed to, the disclosure should indicate that fact." The Library does not have an official investment policy. Although there is no official investment policy for the Library, in order to provide a safe temporary medium for investment of the Library's idle funds, the Library invests those idle funds under the provisions of Tennessee Code Annotated 6-56-106. The Library is a passive investor, in that investments are held to maturity. The investments made by the Library are authorized by Section 6-56-106 of the Tennessee Code Annotated. The Library recognizes its investments may have one or more risks: (1) custodial credit risk, (2) concentrations of credit risk, (3) interest rate risk, and (4) foreign currency risk; however because of the relative safety of the investments authorized in T.C.A. 6-56-106 (a) 1-6 and 8, the exposure to risk is generally limited to interest rate risk.

State statutes authorize the Library to invest in: (1) U.S. government securities and obligations guaranteed by the U.S. Government; (2) deposit accounts at state and federally chartered banks and savings and loan associations; and (3) the Local Government Investment Pool of the State of Tennessee. During the current fiscal year, the Library invested funds in regular demand deposits. At year-end the carrying amount of the Library's cash deposits was \$305,383 and the bank balances were \$368,259.

The Library's deposits are entirely covered by federal depository insurance (FDIC) or the Tennessee Collateral Pool. The FDIC insures the first \$250,000 of the Library's deposits at each financial institution. Deposit balances over \$250,000 are insured by the collateral pool. State statutes provide for additional amounts to be assessed on a pro rata basis to financial institutions in the collateral pool in the event that the pool's funds would be insufficient to cover a loss.

5. GRACEY TRUST INCOME

The Library was named as a beneficiary of a portion of the estate of Mrs. Donald Gracey. The principal of the bequest is held in trust for a period of thirty years from the settlement of the estate. Twenty-eight and one-half percent of the income from this trust is to be paid to the Library on at least a quarterly basis. Upon expiration of thirty years, twenty-eight and one-half percent of the trust corpus will be delivered to the Library. The estate was settled in 1992. During the current year, income of \$99,903 was donated to the Library. The bequest is to be used for general Library purposes as directed by its board.

6. MEMORIAL INCOME

The memorial income is used to receive and expense memorial and other special donations to the Library. The funds are restricted and are accounted for as part of the general fund. The restricted cash balance on June 30, 2012 is \$6,873.

7. COMPONENT UNIT

The Clarksville-Montgomery County Public Library Foundation is a legally separate, tax-exempt component unit of the Library. The Foundation's primary purpose is to provide assistance to the Library through fund raising activities and through the management, investment and administration of the funds under the Foundation's control. The funds raised by the Foundation are not to be used for the funding of day-to-day operations of the Library but for special programs, activities and capital projects. The three-member board is self-perpetuating and consists of residents of Montgomery County with diverse business, personal and professional experience. Although the Library does not control the timing or amount of receipts from the Foundation, the majority of the resources that the Foundation holds are restricted to Library purposes. Because these resources can only be used by or for the benefit of the Library, the Foundation is considered a component unit of the Library. The Foundation is required to disburse not less than 4% of the total assets held by the Foundation on December 31st of the previous year.

The Foundation's June 30, 2012 audited financial statements are included in the Library's June 30, 2012 basic financial statements. The Foundation changed their fiscal year end from December 31st to June 30th. Therefore, a short-year statement of activities which covers the period from January 1, 2012 to June 30, 2012 is presented for the Foundation. The Foundation's by-laws, adopted April 1, 2005, require the Foundation's account to be audited annually.

Complete financial statements for the Foundation can be obtained from the Secretary/Treasurer, Clarksville-Montgomery County Public Library Foundation, 350 Pageant Lane, Suite 501, Clarksville, Tennessee, 37040.

8. CAPITAL ASSETS

Changes in the capital assets for the year were as follows:

<u>Depreciable Assets</u>	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
Furniture, Fixtures, Equip- ment and Software	\$ 2,041,639	\$ 9,183	\$ 11,955	\$ 2,038,867
Building Improvements	124,027	-	-	124,027
Library Resources	3,915,912	270,748	194,099	3,992,561
Total	<u>6,081,578</u>	<u>279,931</u>	<u>206,054</u>	<u>6,155,455</u>
 <u>Accumulated Depreciation</u>				
Furniture, Fixtures, Equip- ment and Software	1,485,428	215,530	11,955	1,689,003
Building Improvements	61,304	17,184	-	78,488
Library Resources	3,012,366	233,361	194,099	3,051,628
Total	<u>4,559,098</u>	<u>466,075</u>	<u>206,054</u>	<u>4,819,119</u>
 <u>Capital Assets Net of</u>				
<u>Accumulated Depreciation</u>	<u>\$ 1,522,480</u>	<u>\$ (186,144)</u>	<u>\$ -</u>	<u>\$ 1,336,336</u>

The building and related facilities are furnished to the Library by Montgomery County. Depreciation expense for the year is \$466,075.

9. PENSION INFORMATION

A. Plan Description

Employees of the 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 a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 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 the system 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 the Library participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision 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 Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

B. Funding Policy

The Library has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

The Library is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2012 was 14.77% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the Library is established and may be amended by the TCRS Board of Trustees.

C. Annual Pension Cost

For the year ending June 30, 2012, the Library's annual pension cost of \$100,385 to TCRS was equal to the Library's required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the frozen entry age 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) project 3.0 percent annual inflation (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 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 ten-year period. The Library's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was 6 years. An actuarial valuation was performed as July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/12	\$ 100,385	100.00%	\$0.00
6/30/11	\$ 109,944	100.00%	\$0.00
6/30/10	\$ 92,618	100.00%	\$0.00

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 88.86% percent funded. The actuarial accrued liability for benefits was \$1.96 million, and the actuarial value of assets was \$1.74 million, resulting in an unfunded actuarial accrued liability (UALL) of \$0.22 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.74 million, and the ratio of the UAAL to the covered payroll was 29.39% percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b)-(a)	(a/b)	(c)	((b-a)/c)
7/1/11	\$ 1,744	\$ 1,963	\$ 219	88.86%	\$ 744	29.39%
7/1/09	\$ 1,342	\$ 1,402	\$ 59	95.78%	\$ 655	9.04%
7/1/07	\$ 1,185	\$ 1,259	\$ 74	94.12%	\$ 640	11.56%

10. 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; injuries to employees; and natural disasters. The Library has elected to obtain various insurance policies to transfer risk to a commercial insurance company either directly or through the Tennessee Municipal League Pool. Insurance settlements have not been in excess of insurance coverage in any of the prior three fiscal years.

11. CUSTOMER RECEIVABLES

There were customer receivables of \$575,639 and uncollectible amounts of \$287,819 which includes uncollectible, waived, or returned items. Gross customer receivables include not only fines and fees receivable, but also an amount due the Library for lost books. When a book is returned, the amount due the Library is reduced by the cost of the book, but the Library receives no cash in this situation. The estimate of uncollectible, waived and returned items is based on statistical information traced by the Library of amounts due and amounts collected by month.

CLARKSVILLE-MONTGOMERY COUNTY PUBLIC LIBRARY
 REQUIRED SUPPLEMENTAL INFORMATION
 JUNE 30, 2012

PENSION PLAN - SCHEDULE OF FUNDING PROGRESS FOR THE LIBRARY

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b)-(a)	(a/b)	(c)	((b-a)/c)
7/1/11	\$ 1,744	\$ 1,963	\$ 219	88.86%	\$ 744	29.39%
7/1/09	\$ 1,342	\$ 1,402	\$ 59	95.78%	\$ 655	9.04%
7/1/07	\$ 1,185	\$ 1,259	\$ 74	94.12%	\$ 640	11.56%

CLARKSVILLE-MONTGOMERY COUNTY PUBLIC LIBRARY
OTHER FINANCIAL INFORMATION
JUNE 30, 2012

BUDGETARY INFORMATION

Through the budget, the Library Board of Trustees sets the direction of the Library and establishes its priorities. The annual budget assures the efficient and effective use of the Library's economic resources.

The annual budget serves from July 1 to June 30, and is used to communicate the Library's priorities to Montgomery County, the main source of support for the Library. It also provides the foundation for the effective financial planning for the Library.

The Library Board of Trustees adopts an annual operating budget. This budget is presented to Montgomery County during County budget discussions before the County approves the Library subsidy for the upcoming year. The budget is not a legally adopted budget which requires formal amendment when variances from the budget occur. Line item budget variances are discussed with the Library Board of Trustees, and verbal consent is given for changes made in the budget.

CLARKSVILLE-MONTGOMERY COUNTY PUBLIC LIBRARY
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>REVENUES</u>			
Montgomery County	\$ 1,630,891	\$ 1,630,891	\$ -
Fines and Fees	145,000	167,943	22,943
Interest	1,000	452	(548)
Computer, Fax and Copy Machine	8,500	30,774	22,274
Gracey Trust	100,796	99,903	(893)
Memorial Income	6,555	1,881	(4,674)
Miscellaneous Income	8,000	2,652	(5,348)
Bequests	-	239,535	239,535
Unbudgeted Income (Donations)	-	8,767	8,767
Total Revenue	<u>1,900,742</u>	<u>2,182,798</u>	<u>282,056</u>
<u>EXPENDITURES</u>			
Audit Services	8,000	9,000	(1,000)
Building and Contents Insurance	3,500	3,523	(23)
Communications	3,800	4,020	(220)
Custodial Supplies	17,000	12,998	4,002
Data Processing Equipment	5,000	9,183	(4,183)
Data Processing Services	27,850	32,397	(4,547)
Data Processing Supplies	6,000	8,920	(2,920)
Debt Collection Services	16,000	14,025	1,975
Drug Control Services	540	312	228
Duplicating Supplies	2,500	1,697	803
Electricity	92,000	96,234	(4,234)
Freight	1,000	463	537
Fringe Benefits	387,253	376,899	10,354
Natural Gas	9,000	5,191	3,809
Office Supplies	5,000	3,392	1,608
Other	20,300	17,788	2,512
Furniture and Fixtures	1,000	-	1,000
Instructional Materials/Supplies	26,000	26,300	(300)
Maintenance Agreements	23,000	19,545	3,455
Office Equipment	2,000	-	2,000
Personnel	974,926	962,601	12,325
Pest Control	300	250	50

CLARKSVILLE-MONTGOMERY COUNTY PUBLIC LIBRARY
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
<u>EXPENDITURES</u>			
Postal Charges	6,500	5,283	1,217
Printed Materials	308,555	270,748	37,807
Repairs and Maintenance - Building	10,000	4,740	5,260
Repairs and Maintenance - Equipment	2,500	3,039	(539)
Travel	3,500	2,253	1,247
Water and Sewer	5,500	5,828	(328)
Workman's Compensation Insurance	3,500	1,141	2,359
Total Expenditures	1,972,024	1,897,770	74,254
<u>EXCESS REVENUES OVER (UNDER) EXPENDITURES</u>	\$ (71,282)	285,028	\$ 356,310
<u>FUND BALANCE BEGINNING</u>		256,127	
<u>FUND BALANCE ENDING</u>		\$ 541,155	

See accompanying notes and auditor's report.



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*

Board of Trustees
Clarksville-Montgomery County Public Library
350 Pageant Lane
Clarksville, Tennessee

We have audited the financial statements of the governmental activities and the general fund of the Clarksville-Montgomery County Public Library (the Library), a component unit of Montgomery County, as of and for the year ended June 30, 2012, which collectively comprise the Library's basic financial statements and have issued our report thereon dated December 14, 2012. Our report was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of the Clarksville-Montgomery County Public Library Foundation, as described in our report on the Library's financial statements. This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Clarksville-Montgomery County Public Library Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of the 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 of the Library's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 of this section and was not designed to identify all deficiencies in the 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 Recommendations, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *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 following deficiency described in the Schedule of Findings and Recommendations to be a material weakness: 12-1.

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*.

This report is intended solely for the information and use of management, others within the organization, the County Commissioners and other awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

One Source Accounting & Tax

December 14, 2012

CLARKSVILLE-MONTGOMERY COUNTY PUBLIC LIBRARY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2012

PRIOR YEAR FINDINGS

None

CURRENT YEAR FINDINGS

12-1 Management Oversight of Financial Reporting

We noted control deficiencies in management oversight of depreciation expense and accumulated depreciation. Adjusting entries were required for the Library's financial statements to be in conformity with generally accepted accounting principles.

Recommendation

We recommend management implement procedures to ensure that the financial statements are prepared in conformity with generally accepted accounting principles

Management Response

Procedures will be implemented for assuring adjusting entries are made prior to the audit.