

**GORHAM-MACBANE PUBLIC LIBRARY  
(A Joint Venture)  
Financial Statements  
June 30, 2013**

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, 2013

Board of Directors

Cindy Sneed, Chairman	Springfield, Tennessee
Phyllis Morriss, Secretary	Springfield, Tennessee
Sherry Eden	White House, Tennessee
Diane Frey	Springfield, Tennessee
Jonathan Garner	Springfield, Tennessee
Mary Sue Head	Springfield, Tennessee
James Marshall	Springfield, Tennessee
Bernard Wood	Springfield, Tennessee
Carol Sletto	Springfield, Tennessee

Key Employees

Chris Hall, Library Director	Greenbrier, 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, the discretely presented component unit, and the major fund of Gorham-MacBane Public Library, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 from material misstatement.

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

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

### Basis for Qualified Opinion

Because of a lack of historical audit trail with respect to certain 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 fixed assets, net position, and expenses of the governmental activities.

### Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Gorham-MacBane Public Library, as of June 30, 2013, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Hendersonville: 131 Maple Row Blvd., Suite A100, Hendersonville, TN 37075  
Portland: 901 S. Broadway, Portland, TN 37148

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## **Unmodified Opinions**

In our opinion, of the financial statements referred to in the first paragraph, the discretely presented component unit and the major fund present fairly, in all material respects, of Gorham-MacBane Public Library, as of June 30, 2013, and the respective changes in financial position and, where applicable, the respective budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Funding Progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information presented 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 us with sufficient evidence to express an opinion or provide any assurance. Gorham-MacBane Public Library has not presented a Management's Discussion and Analysis. Our opinion on the basic financial statements is not affected by the missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Gorham MacBane Public Library's basic financial statements. The Schedule of Revenue is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Revenue is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenue is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2014, on our consideration of Gorham MacBane Public 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gorham-MacBane Public Library's internal control over financial reporting and compliance.

*Carl A. Davis & Company*

Carl A. Davis & Company, CPAs  
Hendersonville, TN  
January 23, 2014

Gorham-MacBane Public Library  
(A Joint Venture)  
Statement of Net Position  
June 30, 2013

	<u>Governmental Activities</u>	<u>Component Unit - Friends of Gorham- MacBane Library</u>
<b>ASSETS</b>		
<b><u>Current Assets</u></b>		
Cash	\$ 217,234	\$ 32,963
Savings and temporary cash investments	-	780,798
Pledges Receivable, current portion	-	21,913
Total Current Assets	217,234	835,674
<b><u>Capital Assets</u></b>		
Books	1,187,873	-
Audio-Visual	189,579	-
Furniture and Equipment	276,240	-
Building	164,279	-
Construction in Progress	185,638	-
Land	60,000	-
Less: Accumulated Depreciation	(1,469,311)	-
Net Capital Assets	594,298	-
<b><u>Other Assets</u></b>		
Cash - Nonspendable	20,000	-
Pledges Receivable, noncurrent	0	20,050
Prepaid Expense	2,023	-
Total Other Assets	22,023	20,050
Total Assets	\$ 833,555	\$ 855,724
<b>LIABILITIES AND NET POSITION</b>		
<b><u>Current Liabilities</u></b>		
Accounts Payable	21,493	-
Other Accrued Liabilities	1,202	-
Payroll Taxes Payable	3,357	-
Credit Cards Payable	1,572	-
Total Current Liabilities	27,624	-
<b><u>Net Position</u></b>		
Invested in Capital Assets	594,298	-
Restricted	20,000	817,898
Unrestricted	191,633	37,826
Total Net Position	805,931	855,724
Total Liabilities & Net Position	\$ 833,555	\$ 855,724

Gorham-MacBane Public Library  
(A Joint Venture)  
Statement of Activities  
For the Year Ended June 30, 2013

	<u>Governmental Activities</u>	<u>Component Unit - Friends of Gorham- MacBane Library</u>
Expenses		
Salaries and related items	199,107	\$ -
Periodicals	3,283	-
Occupancy costs	42,668	-
Depreciation	81,750	-
Other operating costs	<u>33,973</u>	<u>39,488</u>
Total program expenses	360,781	39,488
Program Revenues	<u>29,524</u>	<u>2,286</u>
Net program expense	(331,257)	(37,202)
General Revenues		
Local government support	333,048	-
Donated books	17,616	-
Interest	40	7,295
Donations for library expansion	-	178,705
State Technology Grant	<u>2,032</u>	<u>-</u>
Total general revenues	352,736	186,000
Change in net position	21,479	148,798
Net position at beginning of year	<u>784,452</u>	<u>706,926</u>
Net position at end of year	<u><u>805,931</u></u>	<u><u>\$ 855,724</u></u>

Gorham-MacBane Public Library  
(A Joint Venture)  
Balance Sheet  
Governmental Fund  
June 30, 2013

	<u>General Fund</u>
<b>ASSETS</b>	
<b><u>Current Assets</u></b>	
Cash on Hand	\$ 50
Cash	<u>217,184</u>
Total Current Assets	<u>217,234</u>
<b><u>Other Assets</u></b>	
Cash - Nonspendable	20,000
Accounts Receivable	0
Prepaid Expense	<u>2,023</u>
Total Other Assets	<u>22,023</u>
Total Assets	<u><u>\$ 239,257</u></u>
<b>LIABILITIES AND FUND BALANCES</b>	
<b><u>Current Liabilities</u></b>	
Accounts Payable	21,493
Other Accrued Liabilities	1,202
Payroll Taxes Payable	3,357
Credit Cards Payable	<u>1,572</u>
Total Current Liabilities	<u>27,624</u>
<b><u>Fund Balance</u></b>	
Nonspendable	22,023
Committed for library expansion	139,190
Unassigned	<u>50,420</u>
Total Fund Balance	<u>211,633</u>
Total Liabilities & Fund Balance	<u><u>\$ 239,257</u></u>
Total Fund Balance - Modified Accrual Basis	\$ 211,633
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.	<u>594,298</u>
Net position of governmental activities	<u><u>\$ 805,931</u></u>

Gorham-MacBane Public Library  
(A Joint Venture)  
Statement of Revenues, Expenditures, & Changes in Fund Balances  
Governmental Fund  
For the Year Ended June 30, 2013

	<u>General Fund</u>
<b><u>Revenues</u></b>	
Revenues (See Schedule on pg 19)	\$ 49,212
Total Revenues	<u>49,212</u>
<b><u>Expenditures</u></b>	
Salaries & Related Items	198,411
Utilities	15,042
Telephone	6,184
Maintenance & Repair	17,322
Supplies	16,064
Postage and Mailing Service	1,897
Insurance	4,120
Books	45,213
Periodicals	3,283
Audio-Visual Materials	17,206
Capital Outlay	51,061
Advertising	700
Professional Services	12,150
Staff Development	240
Other Expenses	1,914
Software	<u>1,704</u>
Total Expenditures	<u>392,512</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ (343,298)</u>
<b><u>Other Financing Sources</u></b>	
Robertson County Appropriation	\$ 167,567
City of Springfield Appropriation	<u>165,481</u>
Total Non-Operating Revenues	<u>333,048</u>
Increase (Decrease) in Fund Balance	(10,251)
Fund Balance at Beginning of the Year	<u>221,884</u>
Fund Balance at End of the Year	<u><u>\$ 211,633</u></u>

Gorham-MacBane Public Library  
(A Joint Venture)  
Statement of Revenues, Expenditures, & Changes in Fund Balances  
Governmental Fund  
For the Year Ended June 30, 2013

Amounts reported for governmental activities in the Statement of Net Position are different because:

Net Change in Fund Balance	\$ (10,251)
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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	62,419
Capital Outlay	51,061
Net Book Value of Disposed Assets	-
Depreciation	<u>(81,750)</u>

Change in Net Position of Governmental Activities	<u><u>\$ 21,479</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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Revenues (See Schedule on pg 19)	\$ 38,590	\$ 43,318	\$ 49,212	\$ 5,894
Total Revenues	38,590	43,318	49,212	5,894
<b>Expenditures</b>				
Salaries & Related Items	207,078	198,648	198,617	31
Utilities	16,630	15,060	15,042	18
Telephone	5,500	6,192	6,184	8
Maintenance & Repair	15,100	15,840	17,322	(1,482)
Supplies	17,400	18,700	16,916	1,784
Postage and Mailing Service	4,100	1,920	1,897	23
Insurance	2,000	4,128	4,120	8
Books	45,408	42,180	45,213	(3,033)
Periodicals	2,000	3,312	3,283	29
Audio-Visual Materials	22,449	11,148	17,206	(6,058)
Capital Outlay	5,500	42,600	51,061	(8,461)
Advertising		700	700	1
Professional Services	9,600	12,156	12,150	6
Staff Development	1,350	540	490	50
Other Expenses	2,700	540	606	(66)
Software	11,900	1,704	1,704	(0)
Total Expenditures	368,715	375,368	392,511	(17,143)
Excess of Revenues (Expenditures) Over Expenditures (Revenues)	(330,125)	(332,050)	(343,299)	(11,249)
<b>Other Financing Sources</b>				
Robertson County Appropriation	165,270	167,556	167,567	11
City of Springfield Appropriation	165,270	165,270	165,481	211
Total Non-Operating Revenues	330,540	332,826	333,048	222
Excess of Revenues and Other Financing Sources (Expenditures) over Expenditures (Revenues and Other Financing Sources)	\$ 415	\$ 776	\$ (10,251)	\$ (11,027)

## **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. Capital assets used by the Library would revert to the City and County if the Library were ever disbanded.

The Friends of Gorham-MacBane Public Library is a legally separate, tax –exempt component unit of the Library. The Friends act primarily as a fund-raising organization to supplement the resources that are available to the Library in support of its programs. Although the Library does not control the timing or amount of funds available from the foundation, all fund held by the Friends are for the ultimate benefit of the Library, and therefore the Friends is considered a component unit and is discretely presented in the Library's financial statements.

### **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 Position, 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 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 and capital

Gorham-MacBane Public Library  
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Notes to Financial Statements

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.

The Library implemented GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, beginning with the fiscal year ended June 30, 2011. In accordance with GASB No. 54, fund balances are classified as follows:

**Nonspendable** – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

**Restricted** – Amounts that can be spent only for specific purposes because of the Library Charter, state or federal laws, or externally imposed conditions by grantors or creditors.

**Committed** – Amounts that can be used only for specific purposes determined by the formal action of a resolution made by the library's highest level of decision making authority, the Board of Directors. To be reported as committed, amounts cannot be used for any other purpose unless the Library takes the same highest level of action, a Board resolution, to remove or change the constraint.

**Assigned** – Amounts the Library intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.

**Unassigned** – Amounts that are available for any purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Library considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Library considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Directors or the finance committee has provided otherwise in its commitment or assignment actions.

This government-wide focus is more on the sustainability of the Library as an entity and the change in the Library's net position 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

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

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.

**F. Measurement Focus/Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied. Library operations are accounted for on an economic resources measurement focus.

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, 2013. 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.

Capital 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

Gorham-MacBane Public Library  
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Notes to Financial Statements

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.

**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. 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

Gorham-MacBane Public Library  
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Notes to Financial Statements

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 Unit**

This report includes the financial statements for the Friends of Gorham-MacBane Library, which is a component unit of the Library. The separately audited financial statements of the component unit may be obtained by contacting the Director of the Gorham-MacBane Public Library.

**Note 2 – Cash**

The Library is allowed to invest funds in a manner as defined in the Tennessee Code Annotated. At June 30, 2013, the balance of the Library’s deposits were as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
US Bank	\$ 76,200	\$103,993
Edward Jones Money Market	132,082	132,082
Bank of America	<u>8,901</u>	<u>8,901</u>
Total	\$ 217,183	\$ 244,976

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

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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, 10<sup>th</sup> Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230 or at [www.treasury.state.tn.us](http://www.treasury.state.tn.us).

**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, 2013 was 10.03% 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, 2013, Gorham-MacBane Public Library's annual pension cost of \$8,147 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, 2011 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) inflation of 3%, (d) cost of living adjustments of 2.5 percent annually, and (e) projected 3.5 percent annual increase in the Social Security wage base. 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, 2011 was 6 years.

**Trend Information**

<i>Fiscal Year Ending</i>	<i>Annual Pension Cost (APC)</i>	<i>Percent of APC Contributed</i>	<i>Net Pension Obligation</i>
June 30, 2013	\$ 8,147	100.00%	\$0.00
June 30, 2012	\$ 7,623	100.00%	\$0.00
June 30, 2011	\$ 6,923	100.00%	\$0.00

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Notes to Financial Statements

**Note 4 – Investment – Nonspendable Cash**

Nonspendable 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.

**Note 5 – Capital Assets**

<u>Cost</u>	<u>Capital Assets, not depreciated</u>		<u>Capital Assets, depreciated</u>			<u>Totals</u>
	<u>Land</u>	<u>Construction in Process</u>	<u>Buildings and Improvements</u>	<u>Books and Other Resources</u>	<u>Furniture and Equipment</u>	
Balance, June 30, 2012	60,000	177,163	164,279	1,315,032	233,655	1,950,129
Additions		8,475		62,420	42,585	113,480
Retirements						-
Balance, June 30, 2013	60,000	185,638	164,279	1,377,432	276,240	2,063,609
<b>Accumulated Depreciation</b>						
Balance, June 30, 2012			164,279	1,033,444	189,838	1,387,561
Additions				65,906	15,844	81,750
Retirements						-
Balance, June 30, 2013			164,279	1,099,350	205,682	1,469,311
<b>Net Assets</b>	<b>60,000</b>	<b>185,638</b>	<b>-</b>	<b>277,896</b>	<b>70,764</b>	<b>594,298</b>

Depreciation Expense of \$81,750 was charged to the library services governmental activity.

**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.

**Note 7 – State Appropriation**

The Library receives support from the Red River Regional Library Center annually based on the funding the 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, 2013, Gorham-MacBane Public Library received funding of \$17,616 from the Warioto Regional Center. Gorham-MacBane does not receive this support in the form of cash payments. The Center 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 – Nonspendable Fund Balance**

Governmental funds report reservations of fund balance for amounts that are not available for 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 has historically received approximately 90% of its funding from Robertson County and the City of Springfield.

**Note 11 – Committed Fund Balance**

As of June 30, 2013, the Library had committed assets and fund balance of \$139,190 for use in future library expansion. See Footnote 1.D on page 11 regarding committed fund balance and related actions.

**Note 12 – Subsequent Events**

Management has evaluated events from June 30, 2013 through January 23, 2014, the date at which these financial statements were available to be issued, for events that impact these financial statements. No events 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)

Note: At the audit report date, the actuarial valuation for July 1, 2013 was not yet available.

<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, 2011	\$245	\$278	(\$33)	88.13%	\$ 95	34.74%
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, 2013

**Revenues:**

Service Revenue

Book Sales	\$ 490
Copies	4,969
Fines	14,796
Lost Books	711
Miscellaneous	5,092
New Cards	566
Total Service Revenue	<u>26,623</u>

Other Revenues

Public Donations & Gifts	2,086
Interest	49
Memorials	805
Red River Regional Library Center	19,648
Total Other Revenues	<u>22,589</u>

Total Revenues

\$ 49,212



## CARL A. DAVIS & COMPANY, CPA's

### INDEPENDENT AUDITOR'S 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, in accordance with the 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, the financial statements of the governmental activities, the aggregate discretely presented component unit, and the major fund of Gorham-MacBane Public Library, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated January 23, 2014. Our report included a qualified opinion on the statement of net assets and the statement of activities due to scope limitations.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Gorham MacBane Public Library's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2013-1 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings and questioned costs as Finding 2013-2 to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Library's financial statements are free from 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*.

## **Management's Response to Findings**

Gorham MacBane Public Library's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Library's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Carl A. Davis & Company, CPAs  
Hendersonville, TN  
January 23, 2014

**Current Year Findings**

**Finding 2013-1 (repeat finding)**

Statement of Condition

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

Criteria

Capital 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 capital asset records increases the potential for theft and attrition losses to go undetected.

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

We intend to resolve the remainder of this issue in the 2013-14 fiscal year.

**Finding 2013-2**

Statement of Condition

The reconciled cash balances on the bank reconciliations related to the primary operating account did not match balance sheet balance in selected periods throughout the year and at year end.

Criteria

A properly completed reconciliation should result in a reconciled balance that agrees to the primary financial statements.

Effect of Condition

Absent reconciled balances that are in agreement, it can be difficult to ascertain what the appropriate balances are at any given reconciliation date.

Gorham-MacBane Public Library  
Schedule of Findings and Questioned Costs  
June 30, 2013

Cause of Condition

There were six checks that were issued with July 1, 2013 dates that were subsequently changed to June 30, 2013 in the accounting system. In addition, there were five uncleared items at June 30, 2013 with dates ranging from January 21, 2013 to March 20, 2013 and in total representing \$940.45 that management determined to be in error subsequent to the June reconciliation date. These items were deleted from the accounting system after June 30, 2013 but affected balances at the dates that reconciliations were initially performed.

Recommendation

Management should make every effort to resolve all items at each reconciliation date and make the appropriate corrections in a timely basis.

Management Response

While our efforts did cause these differences to arise, each adjustment was considered necessary to reflect accurate financial statements going forward. We have corrected the year end check dates to appropriately reflect cash at June 30, 2013 and will implement measures to insure this does not repeat.