

CLARKSVILLE-MONTGOMERY COUNTY

PUBLIC LIBRARY

AUDITED FINANCIAL STATEMENTS

AND OTHER FINANCIAL INFORMATION

JUNE 30, 2013

CLARKSVILLE-MONTGOMERY COUNTY PUBLIC LIBRARY  
JUNE 30, 2013

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CLARKSVILLE-MONTGOMERY COUNTY PUBLIC LIBRARY  
JUNE 30, 2013

GENERAL INFORMATION

A. General

The Clarksville-Montgomery County Public 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>
David Farris	Chairman	2013
Khandra Smalley	Vice-Chairman	2014
Matthew Ellis	Treasurer	2013
Harriet Mabry	Secretary	2015
Jacqueline Crouch	Member	2014
Jim Marshall	Member	2015
Lettie Kendall	Member	2014
Carol Clark	Member	2014
Peggy Taylor	Member	2015



## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

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, 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. We did not audit the financial statements of the Clarksville-Montgomery County Library Foundation, which comprises the Library's discretely presented component unit.

### ***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 did not audit the financial statements of the Clarksville-Montgomery County Public Library Foundation, which comprises the Library's discretely presented component unit. Those statements were audited by other auditors whose report has 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 solely on the reports of the 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 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.

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above 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, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

As described in Note 13 to the financial statements, certain errors resulting in the understatement of previously reported accumulated depreciation were discovered by the Library during the current year. Accordingly, an adjustment has been made to net position as of June 30, 2013 to correct the errors. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Pension Plan - Schedule of Funding Progress for the Library, as listed in the table of contents, 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 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.

Management has omitted 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's basic financial statements. The introductory section and other financial information listed in the table of contents are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Budgetary Information and Budgetary Comparison Schedule - General Fund are the responsibility of management and were 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 Budgetary Information and Budgetary Comparison Schedule - General Fund are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2013, 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 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 the Library's internal control over financial reporting and compliance.

*One Source Accounting & Tax*

Clarksville, Tennessee  
December 23, 2013

CLARKSVILLE-MONTGOMERY COUNTY PUBLIC LIBRARY  
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION  
JUNE 30, 2013

	General Fund	Adjustments	Statement of Net Assets	Component Unit - Library Foundation
<b><u>ASSETS</u></b>				
Cash on Hand	\$ 1,750	\$ -	\$ 1,750	\$ -
Cash in Bank	145,959	-	145,959	81,651
Restricted Cash	116,689	-	116,689	-
Restricted Investments	-	-	-	3,113,618
Customer Receivables	658,141	-	658,141	-
Allowance for Uncollectible Accounts	(329,070)	-	(329,070)	-
Capital Assets, Net of Accumulated Depreciation		1,219,665	1,219,665	-
Total Assets	<u>593,469</u>	<u>1,219,665</u>	<u>1,813,134</u>	<u>3,195,269</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Total Assets and Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>LIABILITIES</u></b>				
Accounts Payable	6,236	-	6,236	-
Accrued Payroll	25,676	-	25,676	-
Accrued Compensated Absences	63,680	-	63,680	-
Total Liabilities	<u>95,592</u>	<u>-</u>	<u>95,592</u>	<u>-</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Total Assets and Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>FUND BALANCES/NET POSITION</u></b>				
Fund Balances:				
Restricted	126,776	(126,776)		
Unassigned	371,101	(371,101)	-	-
Total Fund Balances	<u>497,877</u>	<u>(497,877)</u>	<u>-</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 593,469</u>			
Net Position				
Investment in Capital Assets		1,219,665	1,219,665	-
Restricted		126,776	126,776	3,195,269
Unrestricted		371,101	371,101	-
Total Net Position		<u>\$ 1,717,542</u>	<u>\$ 1,717,542</u>	<u>\$ 3,195,269</u>

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, 2013

	General Fund	Adjustments	Statement of Activities	Component Unit - Library Foundation
<b>Revenues:</b>				
Montgomery County	\$ 1,743,903	\$ -	\$ 1,743,903	\$ -
Fines and Fees	188,409	-	188,409	-
Interest	757	-	757	75,278
Gracey Trust income	107,488	-	107,488	-
Memorial Income	5,503	-	5,503	-
Donations	2,750	-	2,750	-
Miscellaneous Income	12,570	-	12,570	-
Restricted Donations	1,811	-	1,811	130,595
Loss on Sale of Investments	-	-	-	(11,151)
Net Increase (Decrease) in the Fair Value of investments	-	-	-	254,406
<b>Total revenues</b>	<b>2,063,191</b>	<b>-</b>	<b>2,063,191</b>	<b>449,128</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Salaries and Benefits	1,453,497	-	1,453,497	-
Communication Expenses	3,621	-	3,621	-
Data Processing	31,292	-	31,292	-
Postage and Shipping	5,315	(200)	5,115	-
Professional Services	21,312	-	21,312	7,000
Repairs and Maintenance	23,274	-	23,274	-
Supplies	29,969	-	29,969	-
Utilities	104,059	-	104,059	-
Travel	2,016	-	2,016	-
Instructional Materials	30,320	(5,127)	25,193	-
Depreciation	-	449,182	449,182	-
Other	13,816	-	13,816	40
Library Support	-	-	-	7,100
Investment Fees	-	-	-	19,619
<b>Capital Outlay:</b>				
Printed Materials	268,213	(268,213)	-	-
Equipment and Furnishings	119,765	(119,765)	-	-
<b>Total expenditures/ expenses</b>	<b>2,106,469</b>	<b>55,877</b>	<b>2,162,346</b>	<b>33,759</b>
Net Change in fund balances/net position	(43,278)	(55,877)	(99,155)	415,369
<b>Fund balances/net position:</b>				
Beginning of year	541,155	1,275,542	1,816,697	2,779,900
End of year	<u>\$ 497,877</u>	<u>\$ 1,219,665</u>	<u>\$ 1,717,542</u>	<u>\$ 3,195,269</u>

See accompanying notes and auditor's report.

CLARKSVILLE-MONTGOMERY COUNTY PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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 85% 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 position and a statement of activities. These statements present summaries of governmental activities for the Library.

D. Fund Financial Statements

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 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

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. Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; 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 government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred, regardless of the timing of the related cash flow.

Governmental fund financial statements are reported using the current financial resources focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay current liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

G. 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.

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 position are available.

N. Date of Management Review

Subsequent events have been evaluated through December 23, 2013, which is the date the financial statements were available to be issued.

O. Net Position and Fund Equity

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

- a. Investment in capital assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation.
- b. Restricted net position - Consists of net position 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 position - All other net position 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. The Library did not have any nonspendable fund balance at June 30, 2013.

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, 2013.

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, 2013.

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 POSITION

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

Total fund balances - governmental funds	\$ 497,877
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds	<u>1,219,665</u>
Total net assets of governmental activities	<u><u>\$ 1,717,542</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	\$ (43,278)
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>(55,877)</u>
Change in net assets of governmental activities	<u><u>\$ (99,155)</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. As of June 30, 2013, the Library maintains its cash balances with the Montgomery County Trustee, who deposits the Library's cash balances with a financial institution that participates in the Tennessee Collateral Pool. At year-end Library also had a separate special projects bank account with a book and bank balance of \$116,689.

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 \$107,488 was donated to the Library. The bequest is to be used for general Library purposes as directed by its board.

6. MEMORIAL INCOME

Memorial income consists of memorial and other special donations to the Library. The funds are restricted and are accounted for as part of the general fund. The restricted memorial income received in 2013 was \$5,503.

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 four-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, all 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 5% of the total assets held by the Foundation on December 31st of the previous year. 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:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<u>Depreciable Assets</u>				
Furniture, Fixtures, Equip- ment and Software	\$ 2,038,867	\$ 80,796	\$ -	\$ 2,119,663
Building Improvements	124,027	43,458	-	167,485
Library Resources	3,992,561	268,212	247,911	4,012,862
Total	<u>6,155,455</u>	<u>392,466</u>	<u>247,911</u>	<u>6,300,010</u>
<u>Accumulated Depreciation</u>				
Furniture, Fixtures, Equip- ment and Software	1,689,003	129,250		1,818,253
Building Improvements	78,488	28,982		107,470
Library Resources	3,111,583	290,950	247,911	3,154,622
Total	<u>4,879,074</u>	<u>449,182</u>	<u>247,911</u>	<u>5,080,345</u>
<u>Capital Assets, Net of</u>				
<u>Accumulated Depreciation</u>	<u>\$ 1,276,381</u>	<u>\$ (56,716)</u>	<u>\$ -</u>	<u>\$ 1,219,665</u>

The building and related facilities are furnished to the Library by Montgomery County. Depreciation expense for the year is \$449,182.

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, 2013 was 14.707% 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, 2013, the Library's annual pension cost of \$107,205 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) projected 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 5 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>
6/30/13	\$ 107,205	100.00%	\$0.00
6/30/12	\$ 100,385	100.00%	\$0.00
6/30/11	\$ 109,944	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 (UAAL) 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 (a)	Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((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 through its primary government, Montgomery County, has elected to obtain various insurance policies to transfer risk to a commercial insurance company either directly or through the Tennessee County Services Association Pool. Insurance settlements have not been in excess of insurance coverage in any of the prior three fiscal years.

The Library, along with other Montgomery County component units, has chosen to establish a combined Self-Insurance Fund for risks associated with the employees' health insurance plan, workers compensation claims (including on-the-job-injury) and unemployment compensation claims.

#### 11. CUSTOMER RECEIVABLES

There were customer receivables of \$658,141 and uncollectible amounts of \$329,070 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.

12. RESTRICTED FUND BALANCE/NET POSITION

Restricted Fund Balance/Net Position consisted of the following at June 30, 2013:

Library Foundation Donations	\$	116,689
Memorial Donations		8,276
Friends of the Library Donations		507
Other Restricted Donations		<u>1,304</u>
Total Restricted Fund Balance/Net Position	\$	<u><u>126,776</u></u>

13. PRIOR PERIOD ADJUSTMENT

Certain errors resulting in the understatement of previously reported accumulated depreciation were discovered during the year. An adjustment of \$60,794 was made to accumulated depreciation and net position to reflect the correction.

CLARKSVILLE-MONTGOMERY COUNTY PUBLIC LIBRARY  
 REQUIRED SUPPLEMENTAL INFORMATION  
 JUNE 30, 2013

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, 2013

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. The County requires Board approval for variances in the budget that either exceed the line items amount budgeted for the year, change the budget amount or move monies from fund balance into the budget.

CLARKSVILLE-MONTGOMERY COUNTY PUBLIC LIBRARY  
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b><u>REVENUES</u></b>			
Montgomery County	\$ 1,732,962	\$ 1,743,903	\$ 10,941
Fines and Fees	166,750	188,409	21,659
Interest	600	757	157
Gracey Trust	100,796	107,488	6,692
Memorial Income	-	5,503	5,503
Miscellaneous Income	15,685	12,570	(3,115)
Bequests	-	-	-
Donations	2,000	4,561	2,561
Total Revenue	<u>2,018,793</u>	<u>2,063,191</u>	<u>44,398</u>
<b><u>EXPENDITURES</u></b>			
Audit Services	9,400	9,400	-
Communications	3,960	3,621	339
Custodial Supplies	10,110	9,375	735
Data Processing Equipment	11,929	8,183	3,746
Data Processing Services	31,797	31,292	505
Data Processing Supplies	9,450	6,512	2,938
Debt Collection Services	16,000	11,912	4,088
Drug Control Services	378	260	118
Duplicating Supplies	1,752	1,184	568
Electricity	96,132	92,790	3,342
Freight	540	243	297
Fringe Benefits	417,667	392,542	25,125
Furniture and Fixtures	1,000	7,350	(6,350)
Instructional Materials/Supplies	30,651	36,161	(5,510)
Maintenance Agreements	18,594	15,827	2,767
Natural Gas	6,540	5,613	927
Office Equipment	1,925	792	1,133
Office Supplies	7,112	6,357	755
Other	18,670	14,256	4,414
Other Equipment	-	103,440	(103,440)
Personnel	1,078,595	1,060,955	17,640
Pest Control	600	545	55

CLARKSVILLE-MONTGOMERY COUNTY PUBLIC LIBRARY  
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONT'D)  
 FOR THE YEAR ENDED JUNE 30, 2013

	Budget	Actual	Favorable (Unfavorable)
<u>EXPENDITURES</u>			
Postal Charges	5,480	5,072	408
Printed Materials	279,710	268,213	11,497
Repairs and Maintenance - Building	6,000	5,987	13
Repairs and Maintenance - Equipment	2,300	915	1,385
Travel	3,000	2,016	984
Water and Sewer	6,000	5,656	344
Total Expenditures	2,075,292	2,106,469	(31,177)
 <u>EXCESS REVENUES OVER (UNDER) EXPENDITURES</u>			
	\$ (56,499)	(43,278)	\$ 13,221
 <u>FUND BALANCE BEGINNING</u>			
		541,155	
 <u>FUND BALANCE ENDING</u>			
		\$ 497,877	

See accompanying notes and auditor's report.



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

Board of Trustees  
Clarksville-Montgomery County Public Library  
350 Pageant Lane  
Clarksville, 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 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, 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 December 23, 2013. Our report includes a reference to other auditors who 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 the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose 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.

*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. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The Library resolved prior year finding 12-1 by performing the specific tasks outlined in the audit report dated December 14, 2012.

### **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*.

### **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.

*One Source Accounting & Tax*

Clarksville, Tennessee  
December 23, 2013