

CLARKSVILLE-MONTGOMERY COUNTY
PUBLIC LIBRARY
AUDITED FINANCIAL STATEMENTS
AND OTHER INFORMATION
JUNE 30, 2014

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CLARKSVILLE-MONTGOMERY COUNTY PUBLIC LIBRARY
SCHEDULE OF BOARD OF TRUSTEES (UNAUDITED)
JUNE 30, 2014

BOARD OF TRUSTEES

Ms. Khandra Smalley
Mr. Jim Marshall
Ms. Harriett Mabry
Mr. Matthew Ellis
Mr. Gerald Beavers
Ms. Carol Clark
Ms. Jacqueline Crouch
Mr. Riley Darnell
Ms. Lettie Kendall
Ms. Peggy Taylor

Chairman
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Clarksville-Montgomery County Public Library
Clarksville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and general fund of the Clarksville-Montgomery County Public Library (the Library), a component unit of Montgomery County, Tennessee, as of and for the year ended June 30, 2014, 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 Public 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 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 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 report 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 on the previous page 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, 2014, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of funding progress-pension plan and the schedule of funding progress-other postemployment benefits, as listed on 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's 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 information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of state financial assistance is the responsibility of management and was derived from and relates 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 state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedule of board of trustees 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 1, 2014, 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.

Stone Rudolph & Henry, PLC

Clarksville, Tennessee
December 1, 2014

CLARKSVILLE-MONTGOMERY COUNTY PUBLIC LIBRARY
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>	<u>Component Unit - Foundation (Note 14)</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 242,447		\$ 242,447	\$ -
Restricted cash	219,731		219,731	64,756
Restricted investments	-		-	3,585,894
Customer receivables, net	30,000		30,000	-
Investments and other deposits	3,275,298		3,275,298	-
Capital assets, net of accumulated depreciation	-	\$ 1,050,003	1,050,003	-
	<u>3,767,476</u>	<u>1,050,003</u>	<u>4,817,479</u>	<u>3,650,650</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
	-	-	-	-
Total assets and deferred outflows of resources	<u>\$ 3,767,476</u>	<u>\$ 1,050,003</u>	<u>\$ 4,817,479</u>	<u>\$ 3,650,650</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 5,731		\$ 5,731	\$ -
Accrued payroll	53,801		53,801	-
Accrued compensated absences	70,423		70,423	-
Other postemployment benefits	44,196		44,196	-
Total liabilities	<u>174,151</u>	<u>-</u>	<u>174,151</u>	<u>-</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
	-	-	-	-
<u>FUND BALANCE/NET POSITION</u>				
Fund balance:				
Nonspendable	3,275,298	\$ (3,275,298)		-
Restricted	219,731	(219,731)		-
Unassigned	98,296	(98,296)		-
Total fund balance	<u>3,593,325</u>	<u>(3,593,325)</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 3,767,476</u>			
Net position:				
Investment in capital assets		1,050,003	1,050,003	-
Restricted		219,731	219,731	3,650,650
Unrestricted		3,373,594	3,373,594	-
Total net position		<u>\$ 4,643,328</u>	<u>\$ 4,643,328</u>	<u>\$ 3,650,650</u>

The accompanying notes are an integral part of the financial statements.

CLARKSVILLE-MONTGOMERY COUNTY PUBLIC LIBRARY
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

<u>EXPENDITURES/EXPENSES</u>	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>	<u>Component Unit - Foundation (Note 14)</u>
Operating expenses:				
Communication	\$ 4,043		\$ 4,043	\$ -
Data processing	30,977		30,977	-
Depreciation	-	\$ 470,764	470,764	-
Employee benefits	323,572		323,572	-
Instructional materials	20,247		20,247	-
Investment fees	-		-	25,090
Library support	-		-	137,053
Loss on disposal	-	1,255	1,255	-
Other	19,825		19,825	40
Postage and shipping	5,118		5,118	-
Professional services	21,355		21,355	4,500
Rent	629,000		629,000	-
Repairs and maintenance	23,473		23,473	-
Salaries	1,235,535		1,235,535	-
Supplies	71,887		71,887	-
Travel	2,178		2,178	-
Utilities	100,366		100,366	-
Total operating expenses	<u>2,487,576</u>	<u>472,019</u>	<u>2,959,595</u>	<u>166,683</u>
Capital outlays:				
Printed materials	285,967	(285,967)	-	-
Equipment and furnishings	16,390	(16,390)	-	-
Total capital outlays	<u>302,357</u>	<u>(302,357)</u>	<u>-</u>	<u>-</u>
Total expenditures/expenses	<u>2,789,933</u>	<u>169,662</u>	<u>2,959,595</u>	<u>166,683</u>
<u>PROGRAM REVENUES</u>				
Fines and fees	149,326		149,326	-
Donations	28,957		28,957	-
Restricted donations	137,053		137,053	126,138
Total program revenues	<u>315,336</u>	<u>-</u>	<u>315,336</u>	<u>126,138</u>
Net program expense	<u>2,474,597</u>	<u>169,662</u>	<u>2,644,259</u>	<u>40,545</u>
<u>GENERAL REVENUES</u>				
Donated facilities	629,000		629,000	-
Gain on sale of investments	-		-	82,321
Investment income	138,606		138,606	86,863
Miscellaneous income	18,886		18,886	-
Montgomery County subsidy	1,861,983		1,861,983	-
Unrealized gain on investments	356,522		356,522	326,742
Total general revenues	<u>3,004,997</u>	<u>-</u>	<u>3,004,997</u>	<u>495,926</u>

CLARKSVILLE-MONTGOMERY COUNTY PUBLIC LIBRARY
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES (CONT'D)
YEAR ENDED JUNE 30, 2014

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>	<u>Component Unit - Foundation (Note 14)</u>
Excess of revenues over (under) expenditures/changes in net position	530,400	(169,662)	360,738	455,381
Fund balance/net position: Balance - beginning of year, as previously reported	497,877	1,219,665	1,717,542	3,195,269
Prior period adjustments - see Note 17	2,565,048	-	2,565,048	-
Balance - beginning of year, as restated	3,062,925	1,219,665	4,282,590	3,195,269
Balance, end of year	<u>\$ 3,593,325</u>	<u>\$ 1,050,003</u>	<u>\$ 4,643,328</u>	<u>\$ 3,650,650</u>

The accompanying notes are an integral part of the financial statements.

CLARKSVILLE-MONTGOMERY COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. Summary of Significant Accounting Policies

Financial Reporting Entity

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 Library for the benefit of residents of both Montgomery County and the City of Clarksville. The agreement 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 a component unit of Montgomery County, Tennessee which is the principal reporting entity and primary government. The Library is treated as a discrete component unit of the County since the County may unilaterally control the operations of the Library. The County is responsible for appointing all of the Library's board of trustees and provides its primary funding support. The financial reporting entity of the Library only includes the assets and operations of the Library and does not include any other fund, organization, institution, agency, department, or office of Montgomery County, the primary government.

Use of Estimates

The Library's financial statements are presented in accordance with accounting principles generally accepted in the United States of America which require the use of management's estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from these estimates in the near term and these variations can have a material effect on these financial statements.

Concentration of Credit Risk

Financial instruments that potentially subject the Library to significant concentrations of credit risk consist principally of cash and receivables. The Library is exposed to credit risk by placing its deposits in financial institutions. The Library's risk is mitigated because the bank balance in excess of the FDIC limit is collateralized by the State of Tennessee Bank Collateral Pool. With respect to receivables, credit risk is dispersed across a large number of customers who are geographically concentrated in the service area of the Library.

Government-wide and Fund Financial Statements

The government-wide financial statements (the governmental fund balance sheet/statement of net position and the statement of governmental fund revenues, expenditures and changes in fund balance/statement of activities) report information on all of the nonfiduciary activities of the Library.

The governmental fund financial statements are shown in combination with the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct operating expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges

CLARKSVILLE-MONTGOMERY COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2014

1. Summary of Significant Accounting Policies (Cont'd)

Government-wide and Fund Financial Statements (Cont'd)

provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Subsidies and other items that are not properly included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting, and Basis of Presentation

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures 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 measurement focus and modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collectible within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The Library's only fund is the general fund. It accounts for all of the financial resources of the Library. The Library has one component unit which is discretely presented (see Note 14).

Cash and Cash Equivalents

The Library considers all highly liquid debt instruments purchased with a maturity of 90 days or less to be cash equivalents.

Customer Receivables

Customer receivables consist primarily of late fees and penalties for lost books. Customer receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectible accounts.

Allowance for Uncollectible Customer Receivables

Bad debts are provided for using the allowance method. Management annually estimates an adequate allowance for uncollectible customer receivables based on historic collection rates. The allowance for uncollectible customer receivables was \$1,622,657 as of June 30, 2014.

CLARKSVILLE-MONTGOMERY COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2014

1. Summary of Significant Accounting Policies (Cont'd)

Capital Assets

Property and equipment are valued at cost for assets purchased. All assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of five years are capitalized. Depreciation of capital assets is provided over the estimated useful lives of the respective assets on a straight-line basis. Donated items are valued at their estimated fair value on the date donated. The cost of normal maintenance and repairs is not capitalized.

Accrued Compensated Absences

Vacation benefits are accrued as earned and charged to salaries.

Fund Equity

The Library has implemented Governmental Accounting Standards Board (GASB) Codification 1800, "Classification and Terminology." This code provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or are required to remain intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the Library's governing body, using its highest level of decision-making authority (i.e., through a majority vote by the board of trustees during an official meeting). To be reported as committed, amounts cannot be used for any other purpose unless the board of trustees takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the Library intends to use for a specific purpose. Intent can be expressed by management of the Library.
- Unassigned fund balance – amounts that are available for any purpose.

The details of the fund balances are included in the Governmental Fund Balance Sheet and in Note 10.

It is the Library's policy to use restricted funds first as appropriate. Assigned funds are reduced to the extent that expenditure authority has been budgeted or the assignment has been changed by management. Decreases to fund balance first reduces unassigned fund balance; in the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

CLARKSVILLE-MONTGOMERY COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2014

1. Summary of Significant Accounting Policies (Cont'd)

Program Revenues and Expenses

Charges for services, fines and penalties are shown as program revenues. Substantially all expenditures are considered program expenditures.

Funding

General revenues include support from local governments and other miscellaneous revenues.

Date of Management's Review

Subsequent events have been evaluated through December 1, 2014, which is the date the financial statements were available to be issued.

2. Investments and Other Deposits

Investments and other deposits are restricted by state law to deposits with financial institutions and certain obligations guaranteed by the United States government, while investments and other deposits received by bequest and held in the Gracey Trust are not subject to such restrictions. Investments and other deposits are stated at fair value based on quoted market prices. No information on derivatives, if any, held in mutual funds is available. Following is a schedule of the Library's investments and other deposits at June 30, 2014:

	<u>Fair Value/ Carrying Value</u>	<u>Cost</u>	<u>Average Credit Quality/Rating</u>	<u>Percent of Total</u>
Common stocks	\$ 960,396	\$ 654,789	n/a	29.32
Money market fund	73,899	73,899	n/a	2.26
Real estate	5,769	4,938	n/a	0.18
Mutual funds				
Equity	1,610,954	1,265,479	n/a	49.18
Balanced	28,709	28,500	n/a	0.88
Fixed	<u>595,571</u>	<u>597,660</u>	n/a	<u>18.18</u>
	<u>\$ 3,275,298</u>	<u>\$ 2,625,265</u>		<u>100.00</u>

Custodial credit risk for the Library's deposits is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. As required by state statutes, the Library's policy is to require that financial institutions holding its deposits be members of the Tennessee Collateral Pool or pledge collateral for deposits in excess of federal depository insurance. The collateral is required to be held by the Library or its agent in the Library's name. At June 30, 2014, cash and other deposits included bank balances of \$464,736, all of which was insured by the FDIC or the State of Tennessee Collateral Pool.

Total investment income of \$495,128 for the year ended June 30, 2014, consisted of investment earnings of \$138,606 and a net increase in fair value of investments of \$356,522. As described in Note 5, substantially all of the Library's investments are held by a trustee and are not registered in the name of the Library.

CLARKSVILLE-MONTGOMERY COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2014

3. Customer Receivables

Customer receivables, net are summarized as follows:

Customer receivables outstanding	\$ 1,652,657
Allowance for uncollectible accounts	<u>(1,622,657)</u>
Customer receivables, net	<u>\$ 30,000</u>

4. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2014 is as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2014</u>
Leasehold improvements	\$ 164,765	\$ 17,012	\$ -	\$ 181,777
Furniture and fixtures	782,495	-	710	781,785
Machinery and equipment	1,093,413	2,098	27,369	1,068,142
Software	243,754	-	114,586	129,168
Library resources	4,012,862	285,967	400,981	3,897,848
Construction in progress	<u>2,720</u>	<u>14,292</u>	<u>17,012</u>	<u>-</u>
Total capital assets	<u>\$ 6,300,009</u>	<u>\$ 319,369</u>	<u>\$ 560,658</u>	<u>\$ 6,058,720</u>

Construction in progress is not depreciated until placed in service. The Library has no capital assets that are idle or impaired.

A summary of changes in accumulated depreciation for the year ended June 30, 2014 is as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2014</u>
Leasehold improvements	\$ 107,470	\$ 25,031	\$ -	\$ 132,501
Furniture and fixtures	705,017	32,230	273	736,974
Machinery and equipment	874,356	120,897	26,553	968,700
Software	238,880	874	114,585	125,169
Library resources	<u>3,154,622</u>	<u>291,732</u>	<u>400,981</u>	<u>3,045,373</u>
Total accumulated depreciation	<u>\$ 5,080,345</u>	<u>\$ 470,764</u>	<u>\$ 542,392</u>	<u>\$ 5,008,717</u>

5. Gracey Trust

The Library was named as a beneficiary of a portion of the Estate of Finley 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, investment income of \$136,764 was received by the Library. The bequest is to be used for general Library purposes as directed by its board of trustees. The Library's portion of the funded principal balance of the trust at June 30, 2014 was \$3,275,298 and is reported in the financial statements as investments and other deposits. This amount represents 28.5% of the fair value of the assets of the trust.

CLARKSVILLE-MONTGOMERY COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2014

5. Gracey Trust (Cont'd)

Gracey Trust investments were composed of the following at June 30, 2014:

	<u>Cost</u>	<u>Unrealized Gain</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>
Common stocks and real estate	\$ 659,727	\$ 306,438	\$ -	\$ 966,165
Money market fund	73,899	-	-	73,899
Mutual funds	<u>1,891,639</u>	<u>345,684</u>	<u>2,089</u>	<u>2,235,234</u>
	<u>\$ 2,625,265</u>	<u>\$ 652,122</u>	<u>\$ 2,089</u>	<u>\$ 3,275,298</u>

6. Adjustments to Governmental Fund Statements

Governmental Fund Balance Sheet to the Statement of Net Position:

When capital assets that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the Library, net of related accumulated depreciation.

Cost of capital assets	\$ 6,058,720
Less: Accumulated depreciation	<u>5,008,717</u>
	<u>\$ 1,050,003</u>

Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which depreciation expense exceeded (was exceeded by) capital outlays in the current period.

Capital outlays	\$ (302,357)
Loss on disposal	1,255
Depreciation expense	<u>470,764</u>
	<u>\$ 169,662</u>

7. Deferred Compensation Plan

The Library offers its employees a supplemental deferred compensation plan created in accordance with Internal Revenue Code, Section 457 (the 457 Plan). The 457 Plan, available to all Library employees, permits them to defer a portion of their salary until retirement. Employees can make voluntary pre-tax contributions; however, the Library does not make any matching employer contributions. Employees are always 100% vested in their voluntary contributions. Employee contributions were \$10,474 for the year ended June 30, 2014.

8. Defined Contribution 401(k) Plan

The Library employees are eligible to participate in a Montgomery County 401(k) plan. All employees are immediately eligible to participate upon hire. The plan includes no employer matching contributions. Employee contributions were \$5,278 for the year ended June 30, 2014.

CLARKSVILLE-MONTGOMERY COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2014

9. Postemployment Benefits

The Library provides support for medical and dental insurance coverage and premiums, excluding life, for qualifying retired employees. Qualifying retired employees must have a minimum of thirty years of creditable service in the Tennessee Consolidated Retirement System (TCRS), with or without military service or accumulated sick leave, at any age, or must have a minimum of twenty years of service with the Library, and be at least age 55. Coverage will continue until the retired employee is eligible for Medicare. The retired employee must make premium payments to the Library in a timely manner, must be a current participant, and must have participated for at least two years in the group medical insurance program. The employee must be eligible for, and begin receiving retirement benefits from TCRS at the time of retirement from the Library and must elect to receive this benefit at the time of retirement. The co-payment schedule is as follows:

<u>Months up to age 65</u>	<u>Library</u>	<u>Retiree</u>
0 to 120 months	85%	15%
121-132 months	80%	20%
133-144 months	75%	25%
145-156 months	70%	30%
157-168 months	65%	35%
169-180 months	60%	40%

This plan is a single-employer defined benefit plan. Prior to the year ended June 30, 2014, the plan was funded and expensed on a pay-as-you-go basis. The provisions of GASB Codification Po50 were retrospectively implemented in the year ended June 30, 2014. For 2014, the plan continued to be funded on a pay-as-you-go basis with expense calculated under the provisions of GASB Codification Po50 as described below. The plan does not issue stand-alone financial reports.

The GASB issued GASB Codification Po50, "Postemployment Benefits Other Than Pension Plan - Defined Benefit" which requires employers that participate in single-employer or agent multiple-employer defined other postemployment benefit (OPEB) plans to measure and disclose an amount for annual OPEB cost on the accrual basis of accounting.

The annual OPEB expense is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Codification Po50. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of the Library's annual medical insurance OPEB cost for the year, the amount actually contributed to the plan, and changes in the Library's net OPEB obligation:

CLARKSVILLE-MONTGOMERY COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2014

9. Postemployment Benefits (Cont'd)

Normal cost	\$ 8,901
30 year amortization of accrued liability	4,561
Interest on net OPEB obligation	267
Annual required contribution	13,729
Interest on net OPEB obligation	1,240
Adjustment on annual required contribution	(1,261)
Annual OPEB expense	13,708
Contributions made	(500)
Increase in net OPEB obligation	13,208
Net OPEB obligation - beginning	30,988
Net OPEB obligation - ending	\$ 44,196

The Library's annual OPEB expense, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 is as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of Annual</u> <u>OPEB Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
June 30, 2014	\$ 13,729	4%	\$ 13,208
June 30, 2013	\$ 8,774	3%	\$ 8,482
June 30, 2012	\$ 8,105	3%	\$ 7,835

As of July 1, 2014, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits for the fiscal year ended June 30, 2014, was \$110,940 and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$110,940. The covered payroll (annual payroll of active employees covered by the plan) was \$1,162,975 and the ratio of the UAAL to the covered payroll was 9.54 percent. The ARC was 1.18% of covered payroll and the funding was determined on a pay-as-you-go basis.

Actuarial valuations of ongoing plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed consistent with the long-term perspective of the calculations.

CLARKSVILLE-MONTGOMERY COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2014

9. Postemployment Benefits (Cont'd)

In the July 1, 2014, actuarial valuation, the projected unit credit cost method was used. The actuarial assumption included an annual healthcare cost trend rate of eight percent initially, reduced by decrements to an ultimate rate of five percent after six years. UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2014, is 24 years.

The Library funds and expenses the costs of the benefits as incurred. At June 30, 2014, the Library had no eligible retirees receiving benefits.

10. Fund Balance

Restricted fund balance consisted of the following at June 30, 2014:

Library Foundation donations	\$	216,547
Memorial donations		2,135
Friends of the Library donations		849
Other restricted donations		200
Total restricted fund balance		<u>\$ 219,731</u>

Nonspendable fund balance consisted of the following at June 30, 2014:

Gracey Trust investments	\$	<u>3,275,298</u>
Total nonspendable fund balance		<u>\$ 3,275,298</u>

11. Funding Sources

The Library's operating expenses are primarily funded by transfers of funds from Montgomery County. Other funding sources include memorials, donations, endowments, and fines and fees. The Library received approximately 56% of its funding from Montgomery County. A substantial reduction in funding by Montgomery County could have an adverse effect on the future operations of the Library's programs and activities.

12. Related Party Transactions

The building which houses the Library is owned by Montgomery County. The Library uses the building free of charge. The fair rental value of the building was \$629,000 for the year ended June 30, 2014, and was recognized as donated facilities income and rent expense. The fair rental value of the building was determined by considering the age and condition of the buildings and the cost of similar rental space in the same vicinity.

13. Retirement Plan

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

CLARKSVILLE-MONTGOMERY COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2014

13. Retirement Plan (Cont'd)

a. Plan Description (Cont'd):

is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as 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 www.treasury.state.tn.us.

b. Funding Policy:

The Library has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5% of annual covered payroll.

The Library is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2014 was 14.70% 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, 2014, the Library's annual pension cost of \$118,444 to TCRS was equal to 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% a year compounded annually, (b) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5% annual increase in the Social Security wage base, and (d) projected post retirement increases of 3% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. 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 of July 1, 2011, which established contribution rates effective July 1, 2012.

CLARKSVILLE-MONTGOMERY COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2014

13. Retirement Plan (Cont'd)

c. Annual Pension Cost (Cont'd)

The contribution rate is effective through June 30, 2014.

Trend Information for the Library

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/14	\$ 118,444	100%	\$ 0.00
6/30/13	\$ 107,205	100%	\$ 0.00
6/30/12	\$ 100,385	100%	\$ 0.00

d. Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 89.07 percent funded. The actuarial accrued liability for benefits was \$2.29 million and the actuarial value of assets was \$2.04 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.25 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.72 million, and the ratio of the UAAL to the covered payroll was 34.62 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.

14. Component Unit

The Clarksville-Montgomery County Public Library Foundation (the 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 fundraising 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 percent of the total assets held by the Foundation on December 31 of the previous year. The Foundation's by-laws, adopted April 1, 2005, require the Foundation's accounts 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.

CLARKSVILLE-MONTGOMERY COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2014

15. 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. The Library is party to a lawsuit for which the ultimate outcome is not determinable. The Library's management believes that the outcome of those proceedings will not have a materially adverse effect on the accompanying financial statements.

16. Budget

The Library prepares and adopts the budget for the next succeeding fiscal year prior to June 30 of each year. This budget is also approved by Montgomery County for agreement to the amount of funding to be provided for the fiscal year. The operating budget is used as a planning tool and includes proposed expenditures and the means of funding them. Once a budget is approved, expenditures can be amended by approval of a majority of the members of the board of trustees if no additional funding is required. Budget amendments requiring additional funding must be approved by the County in addition to the board of trustees.

17. Prior Period Adjustments

Accounts receivable, allowance for uncollectible accounts, investments, accrued payroll, other postemployment benefits, and fund balance/net position were adjusted as of June 30, 2013 to correct accounting errors that occurred in previous years. These errors resulted from failure to reconcile accounts receivable to subsidiary ledgers, record the Gracey Trust investments and other postemployment benefits, and record the accrued payroll obligation as of June 30, 2013.

Following is a schedule of adjustments to the June 30, 2013 governmental fund balance sheet/statement of net position:

	<u>Fund Balance</u>	<u>Net Position</u>
Increase in customer receivables	\$ 911,984	\$ 911,984
Increase in allowance for uncollectible accounts	(1,209,048)	(1,209,048)
Increase in Gracey Trust investments	2,918,776	2,918,776
Increase in accrued payroll	(25,676)	(25,676)
Increase in other postemployment benefits liability	(30,988)	(30,988)
Total increase in fund balance/net position	2,565,048	2,565,048
Fund balance/net position - June 30, 2013, as previously reported	<u>497,877</u>	<u>1,717,542</u>
Fund balance/net position - June 30, 2013, as restated	<u>\$ 3,062,925</u>	<u>\$ 4,282,590</u>

CLARKSVILLE-MONTGOMERY COUNTY PUBLIC LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF FUNDING PROGRESS - PENSION PLAN - TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2013	\$ 2,038,000	\$ 2,288,000	\$ 250,000	89.07%	\$ 722,000	34.63%
7/1/2011	\$ 1,744,000	\$ 1,963,000	\$ 219,000	88.84%	\$ 744,000	29.44%
7/1/2009	\$ 1,342,000	\$ 1,402,000	\$ 60,000	95.72%	\$ 655,000	9.16%

CLARKSVILLE-MONTGOMERY COUNTY PUBLIC LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
YEAR ENDED JUNE 30, 2014

Fiscal Year Ending	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2014	\$ -	\$ 110,940	\$ 110,940	0.00%	\$ 1,162,975	9.54%
6/30/2013	\$ -	\$ 74,550	\$ 74,550	0.00%	\$ 648,704	11.49%
6/30/2012	\$ -	\$ 66,697	\$ 66,697	0.00%	\$ 648,704	10.28%

CLARKSVILLE-MONTGOMERY COUNTY PUBLIC LIBRARY
SCHEDULE OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2014

<u>Grantor/Program Title</u>	<u>Grant Number or Pass-Through Grantor's Contract Number</u>	<u>Federal CFDA Number</u>	<u>Accrued Receivable July 1, 2013</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Accrued Receivable June 30, 2014</u>
<u>State of Tennessee, Tennessee State Library and Archives</u>						
Technology grant	30504-00114-23	N/A	\$ -	\$ 1,100	\$ 1,100	\$ -
Total state financial assistance			<u>\$ -</u>	<u>\$ 1,100</u>	<u>\$ 1,100</u>	<u>\$ -</u>



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 Trustees
Clarksville-Montgomery County Public Library
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 general fund of the Clarksville-Montgomery County Public Library (the Library), a component unit of the Montgomery County, Tennessee, as of and for the year ended June 30, 2014, 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 1, 2014. 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 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 responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as 2014-001, 2014-002 and 2014-003 to be material weaknesses.

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 Library's Response to Findings

The Library's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Library's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Stone Rudolph & Henry, PLC

Clarksville, Tennessee

December 1, 2014

CLARKSVILLE-MONTGOMERY COUNTY PUBLIC LIBRARY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2014

FINDINGS RELATED TO INTERNAL CONTROL

2014-001 Management Oversight Over Financial Reporting

Condition: The Library lacks management oversight over financial reporting which includes the preparation of the financial statements and footnote disclosures in conformity with generally accepted accounting principles (GAAP). In addition, seventeen adjusting entries and three reclassification entries were required for the financial statements to be presented in conformity with GAAP.

Criteria: Proper management oversight over financial reporting should include the preparation of the financial statements and footnote disclosures in conformity with GAAP.

Effect: The financial statements and footnote disclosures may not be in conformity with GAAP.

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

Management Response: A cost-benefit analysis of the financial reporting process deemed it cost-prohibitive to obtain third-party assistance to prepare financial statements and footnotes in accordance with generally accepted accounting principles prior to the independent audit. However, we believe that our knowledge and experience enables us to review the report and understand it fully. We take full responsibility for the financial statements and all adjusting and reclassification journal entries. Management will work towards minimizing the adjusting entries necessary for next year's audit in cooperation with Montgomery County Accounts and Budgets.

2014-002 Account Reconciliations

Condition: Reconciliations of revenue and accounts receivable between the general ledger and the subsidiary ledgers were not performed.

Criteria: Reconciliations of revenue and customer receivables between the general ledger and the subsidiary ledgers should be performed regularly.

Effect: The general ledger contained errors and adjusting journal entries were required to properly record revenue and customer receivables transactions.

Recommendation: We recommend that management implement procedures to ensure all transactions are recorded and accounts are regularly reconciled.

Management Response: Customer receivables will now be completely recorded according to the financial reports from TLC. Management would have studied and corrected the previous discrepancy had there been a finding during a previous audit; there was no finding recorded previously. Incoming customer receivables reports will be analyzed through the current fiscal year and beyond to further study actual amounts collected both during the

CLARKSVILLE-MONTGOMERY COUNTY PUBLIC LIBRARY
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)
YEAR ENDED JUNE 30, 2014

Management Response (Cont'd): current and prior years to determine a reasonable percentage of collectible accounts for future audits. We will also determine a policy recommendation to the board of trustees for writing off uncollectible customer receivables debt in the near future.

2014-003 Bank Reconciliations

Condition: One bank account was not properly reconciled.

Criteria: Bank reconciliations should be prepared and reviewed in a timely manner to ensure supporting documentation agrees to the general ledger.

Effect: The general ledger balance may not reflect the balances included in supporting documentation.

Recommendation: We recommend that management implement procedures to ensure all bank accounts are properly reconciled.

Management Response: Management will now forward internal monthly reconciliations to Montgomery County Accounts and Budgets for posting so that the single remaining bank account with Library assets located outside of the Trustee's office will be up to date throughout the fiscal year, rather than posted once at year-end.