

**GORHAM-MACBANE PUBLIC LIBRARY
(A Joint Venture)
Financial Statements
June 30, 2015**

**Gorham-MacBane Public Library
(A Joint Venture)
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Gorham-MacBane Public Library
(A Joint Venture)
Board of Directors and Key Employee
June 30, 2015

Board of Directors

Cindy Sneed, Chairman	Springfield, Tennessee
Phyllis Morriss	Springfield, Tennessee
Sherry Eden	White House, Tennessee
Diane Frey	Springfield, Tennessee
Jonathan Garner	Greenbrier, Tennessee
Mary Sue Head	Springfield, Tennessee
James Marshall	Springfield, Tennessee
Bernard Wood	Springfield, Tennessee
Catherine Clark	Springfield, Tennessee

Key Employee

Chris Hall, Library Director	Greenbrier, Tennessee
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BLANKENSHIP CPA GROUP, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and general fund and the discretely presented component unit of Gorham-MacBane Public Library (the Library), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Qualified Opinion on Governmental Activities

Because of a lack of historical audit trail with respect to certain fixed assets, we were not able to satisfy ourselves as to the completeness of fixed assets or the accuracy of the computation of the related accumulated depreciation or depreciation expense. The completeness and accuracy of fixed assets and the related depreciation materially affect the determination of the fixed assets, net position, and expenses of the governmental activities.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Gorham-MacBane Public Library, as of June 30, 2015, 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.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the discretely presented component unit and the general fund of Gorham-MacBane Public Library, as of June 30, 2015, 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 Changes in the Net Pension Liability (Asset) and related ratios presented on page 22 and the Schedule of Contributions on page 23, 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 presented in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. Gorham-MacBane Public Library has not presented a Management's Discussion and Analysis. Our opinion on the basic financial statements is not affected by the missing information.

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 an opinion on the financial statements that collectively comprise Gorham-MacBane Public Library's basic financial statements. The Board of Directors and Key Employee is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Board of Directors and Key Employee 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2016, on our consideration of Gorham-MacBane Public Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gorham-MacBane Public Library's internal control over financial reporting and compliance.

Blankenship CPA Group, PLLC

March 31, 2016

**Gorham-MacBane Public Library
(A Joint Venture)
Governmental Fund Balance Sheet/Statement of Net Position
June 30, 2015**

	General Fund	Adjustments	Statement of Net Position	Component Unit Friends of the Gorham MacBane Library
ASSETS				
Cash on Hand	\$ 50	\$ -	\$ 50	\$ -
Cash	96,954	-	96,954	891
Savings and Temporary Investments	-	-	-	278,082
Restricted Cash	96,426	-	96,426	-
Unconditional Promises to Give - Building Campaign	-	-	-	160,301
Capital Assets				
Land	-	60,000	60,000	-
Construction in Progress	-	405,313	405,313	-
Other Capital Assets, Net of Accumulated Depreciation	-	543,913	543,913	-
Total Assets	<u>193,430</u>	<u>1,009,226</u>	<u>1,202,656</u>	<u>439,274</u>
DEFERRED OUTFLOWS OF RESOURCES				
	-	77,658	77,658	-
Total Assets and Deferred Outflows of Resources	<u>\$ 193,430</u>	<u>\$ 1,086,884</u>	<u>\$ 1,280,314</u>	<u>\$ 439,274</u>
LIABILITIES				
Accounts Payable	\$ 4,148	\$ -	\$ 4,148	\$ -
Payroll Taxes Payable	4,621	-	4,621	-
Accrued Payroll	4,800	-	4,800	-
Net Pension Liability	-	48,250	48,250	-
Total Liabilities	<u>13,569</u>	<u>48,250</u>	<u>61,819</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
	-	21,769	21,769	-
FUND BALANCE				
Nonspendable	20,000	(20,000)	-	-
Restricted	76,426	(76,426)	-	-
Unassigned	83,435	(83,435)	-	-
Total Fund Balance	<u>179,861</u>	<u>(179,861)</u>	<u>-</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 193,430</u>			
NET POSITION				
Investment in Capital Assets		1,009,226	1,009,226	-
Restricted - nonexpendable		20,000	20,000	-
Restricted for building expansion		76,426	76,426	-
Temporarily Restricted		-	-	438,383
Unrestricted		91,074	91,074	891
Total Net Position		<u>\$ 1,196,726</u>	<u>\$ 1,196,726</u>	<u>\$ 439,274</u>

**Gorham-MacBane Public Library
(A Joint Venture)
Statement of Governmental Fund Revenues, Expenses and Changes in Fund Balance/
Statement of Activities
For the Year Ended June 30, 2015**

	General Fund	Adjustments	Statement of Activities	Component Unit Friends of the Gorham MacBane Library
Revenues				
Robertson County	\$ 174,096	\$ -	\$ 174,096	\$ -
City of Springfield	173,946	-	173,946	-
Regional Funding	16,727	-	16,727	-
Fines	9,211	-	9,211	-
State Technology Grant	3,970	-	3,970	-
Memorials	1,172	-	1,172	-
Transfer from Friends	301,900	-	301,900	-
Donations - Capital Campaign	100,197	-	100,197	414,877
Dividends and Interest	30	-	30	1,990
Miscellaneous Income	5,885	-	5,885	1,802
Total Revenues	787,134	-	787,134	418,669
Expenses				
Operating Expenses:				
Salaries and Related Items	255,862	(3,984)	251,878	-
Utilities	19,658	-	19,658	-
Telephone	1,720	-	1,720	-
Maintenance and Repair	18,001	-	18,001	-
Supplies	15,033	-	15,033	-
Postage and Mailing Service	424	-	424	-
Insurance	987	-	987	-
Periodicals	1,800	-	1,800	-
Advertising	67	-	67	-
Professional Services	9,850	-	9,850	45,632
Staff Development	1,009	-	1,009	-
Other Expenses	12,257	-	12,257	2,870
Software	5,853	-	5,853	-
Capital Outlay:				
Books	28,407	(28,407)	-	-
Audio-Visual Materials	12,670	(12,670)	-	-
Transfer to Library	-	-	-	49,784
Transfer to Agency Fund	-	-	-	1,000,000
Capital Outlay	397,156	(397,156)	-	-
Depreciation Expense	-	62,985	62,985	-
Total program expenses	780,754	(379,232)	401,522	1,098,286
Net Change in Fund Balance/Net Position	6,380	379,232	385,612	(679,617)
Fund Balance/Net position at beginning of year	173,481	629,280	802,761	1,118,891
Prior Period Adjustment	-	8,353	8,353	-
Fund Balance/Net position at end of year	\$ 179,861	\$ 1,016,865	\$ 1,196,726	\$ 439,274

**Gorham-MacBane Public Library
(A Joint Venture)
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Revenues				
Robertson County	\$ 174,096	\$ 174,096	\$ 174,096	\$ -
City of Springfield	174,096	174,096	173,946	(150)
Regional Funding	15,800	15,800	16,727	927
Fines	13,200	13,200	9,211	(3,989)
State Technology Grant	3,000	3,000	3,970	970
Memorials	200	200	1,172	972
Donations	1,000	1,000	402,097	401,097
Dividends and Interest	48	48	30	(18)
Miscellaneous Income	12,457	12,457	5,885	(6,572)
Total Revenues	<u>393,897</u>	<u>393,897</u>	<u>787,134</u>	<u>393,237</u>
Expenditures/Expenses				
Operating Expenses:				
Salaries and Related Items	260,500	260,500	255,862	4,638
Utilities	17,000	17,000	19,658	(2,658)
Telephone	5,200	5,200	1,720	3,480
Maintenance and Repair	14,500	14,500	18,001	(3,501)
Supplies	11,900	11,900	15,033	(3,133)
Postage and Mailing Service	1,100	1,100	424	676
Insurance	3,600	3,600	987	2,613
Recorded Books Lease	-	-	-	-
Periodicals	1,400	1,400	1,800	(400)
Advertising	750	750	67	683
Professional Services	13,000	13,000	9,850	3,150
Staff Development	2,200	2,200	1,009	1,191
Other Expenses	8,968	8,968	12,257	(3,289)
Software	2,000	2,000	5,853	(3,853)
Capital Outlay:				
Books	34,800	34,800	28,407	6,393
Audio-Visual Materials	9,000	9,000	12,670	(3,670)
Capital Outlay	7,500	7,500	397,156	(389,656)
Total program expenditures/expenses	<u>393,418</u>	<u>393,418</u>	<u>780,754</u>	<u>(387,336)</u>
Net Change in Fund Balance	479	479	6,380	<u>\$ 5,901</u>
Fund Balance at beginning of year	<u>173,481</u>	<u>173,481</u>	<u>173,481</u>	
Fund Balance at end of year	<u>\$ 173,960</u>	<u>\$ 173,960</u>	<u>\$ 179,861</u>	

**Gorham-MacBane Public Library
(A Joint Venture)
Notes to Financial Statements
For the Year Ended June 30, 2015**

Note 1 – Summary of Significant Accounting Policies

A. Organization

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

B. Basis of Presentation

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

C. Reporting Entity

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

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

The Friends' financial information included in the Library's audited financial statements has been consistently reported each year at March 31.

D. Combination Government-Wide and Fund Financial Statements

Combination government-wide and fund financial statements are presented for the Library. The first column of the statements represents the fund financial statements of the Library. The third column represents the government-wide financial statements. The adjustments column represents the adjustments necessary to reconcile the fund financial statements to the government-wide. The explanations of the reconciling items are presented as Notes 11 and 12.

Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Library's services are classified as governmental activities. The Library has no business-type activities. The financial statements report information on only nonfiduciary activities of the Library.

E. 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 the governmental activity of the Library.

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

**Gorham-MacBane Public Library
(A Joint Venture)
Notes to Financial Statements
For the Year Ended June 30, 2015**

Note 1 – Summary of Significant Accounting Policies - continued

F. Fund Financial Statements

Fund financial statements report detailed information about the Library. The focus of fund financial statements is on major funds rather than fund type. The financial statements of governmental funds include a balance sheet and a statement of revenues, expenses and changes in fund balance.

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

The Library reports the following major general fund:

Government Fund Types:

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

All revenues are attributable to the providing of library services.

G. Fund Balance

The Library reports fund balances in the governmental fund financial statements which are classified as follows:

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

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

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

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

Unassigned – Amounts that are available for any purpose.

**Gorham-MacBane Public Library
(A Joint Venture)
Notes to Financial Statements
For the Year Ended June 30, 2015**

Note 1 – Summary of Significant Accounting Policies – continued

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

H. Net Position

Government-wide fund net position are divided into three components:

Investment in capital assets—consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted net position—consist of assets that are restricted by the Library's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.

Unrestricted—all other net position is reported in this category.

I. Measurement Focus/Basis of Accounting

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

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 incurred.

The governmental fund financial statements are reported using the current financial resources focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. 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 collected within 60 days of the end of the fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

**Gorham-MacBane Public Library
(A Joint Venture)
Notes to Financial Statements
For the Year Ended June 30, 2015**

J. Financial Statement Accounts

Cash

Cash consists of deposits in local banks and a money market account held at Edward Jones Investments. These deposits are stated at cost at June 30, 2015. All of the bank deposits are covered by federal depository insurance and insured by the State of Tennessee bank collateral pool. The Edward Jones money market account is fully insured by SPIC.

Note 1 – Summary of Significant Accounting Policies – continued

Capital Assets

Capital assets purchased or acquired are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Costs incurred for repairs and maintenance are expensed as incurred.

Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized as follows:

- Buildings and Land – all acquisitions
- Land Improvements - projects over 10K
- Building Renovations and Improvements – projects over 100K that extend the useful life
- Equipment – equipment costing over 3K with a useful life of 1 year
- Library Books and Audio Visual Materials – all acquisitions

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and Improvements	7-50 years
Land Improvements	20 years
Books and Audio Visual	10 years
Furniture and Equipment	5 - 10 years

Revenues

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

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

K. Budgets

The Library Board appoints a committee, consisting of board members along with the librarian, which formulates the original budget. The budget is prepared on a modified accrual basis of accounting. The budget is then submitted to the Library Board for approval. After Library Board approval, it is then submitted to the City of Springfield Aldermen for approval. After the City Aldermen have approved the budget, it is then submitted to the budget committee of the Robertson County Commission. Upon passing review of the budget committee, it is then submitted to the full County Commission which has the final approval. The operating budget includes proposed expenditures and the means of financing them. Budget amendments require approval by the Board of Directors. The legal level of budgetary control is the line-item level.

**Gorham-MacBane Public Library
(A Joint Venture)
Notes to Financial Statements
For the Year Ended June 30, 2015**

Note 1 – Summary of Significant Accounting Policies – continued

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

L. Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States (GAAP). 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.

M. Jointly Governed Organizations

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

N. Component Unit and Policies Specifically Related to the Component Unit

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

O. Restricted Resources

The library applies applicable expenses against restricted resources first when both restricted and unrestricted resources are available.

P. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Gorham-MacBane Public Library's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Gorham-MacBane Public Library's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

**Gorham-MacBane Public Library
(A Joint Venture)
Notes to Financial Statements
For the Year Ended June 30, 2015**

Note 2 – Cash

The Library is allowed to invest funds in a manner as defined in the Tennessee Code Annotated. At June 30, 2015, the balance of the Library's deposits were as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
<i>General Fund</i>		
Unrestricted		
Cash on Hand	\$ 50	\$ -
US Bank	88,031	91,793
Bank of America	8,923	8,923
Total Unrestricted	<u>97,004</u>	<u>100,716</u>
Restricted		
Endowment Fund CD	20,000	20,000
Edward Jones Money Market	76,426	76,556
Total Restricted	<u>96,426</u>	<u>96,556</u>
Total Cash	<u>\$ 193,430</u>	<u>\$ 197,272</u>
<i>Component Unit</i>		
Commerce Union	891	891
Commerce Union-Capital Funds	278,082	278,082
	<u>\$ 278,973</u>	<u>\$ 278,973</u>

All deposits of the General Fund are insured by FDIC or SPIC. The Component Unit has insured deposits of \$250,000 and uninsured deposits of \$28,973. See also Note 5.

Note 3 – Pension Plan

Plan Description

Employees of Gorham-MacBane Public Library are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit.

**Gorham-MacBane Public Library
(A Joint Venture)
Notes to Financial Statements
For the Year Ended June 30, 2015**

Note 3 – Pension Plan - continued

Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Employees covered by benefit terms.

At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	1
Active employees	5
	11
	11

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Gorham-MacBane Public Library makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Gorham-MacBane Public Library were \$16,103 based on a rate of 10.03 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Gorham-MacBane Public Library's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Gorham-MacBane Public Library's net pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation

**Gorham-MacBane Public Library
(A Joint Venture)
Notes to Financial Statements
For the Year Ended June 30, 2015**

Note 3 – Pension Plan - continued

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Gorham-MacBane Public Library will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Gorham-MacBane Public Library
(A Joint Venture)
Notes to Financial Statements
For the Year Ended June 30, 2015**

**Note 3 – Pension Plan - continued
Changes in the Net Pension Liability (Asset)**

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 6/30/13	\$ 309,456	\$ 300,743	\$ 8,713
Changes for the year:			
Service cost	2,858	-	2,858
Interest	22,679	-	22,679
Differences between expected and actual experience	82,073	-	82,073
Contributions - employer	-	12,368	(12,368)
Contributions - employees	-	6,165	2858
Net investment income	-	49,711	(49,711)
Benefit payments, including refunds of employee contributions	(19,841)	(19,841)	-
Administrative expense	-	(171)	171
Net changes	<u>87,769</u>	<u>48,232</u>	<u>39,537</u>
Balance at 6/30/14	<u>\$ 397,225</u>	<u>\$ 348,975</u>	<u>\$ 48,250</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of Gorham-MacBane Public Library calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Gorham MacBane Public Library's net pension liability (asset)	\$ 98,488	\$ 48,250	\$ 7,349

**Gorham-MacBane Public Library
(A Joint Venture)
Notes to Financial Statements
For the Year Ended June 30, 2015**

Note 3 – Pension Plan - continued

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense

For the year ended June 30, 2015, Gorham-MacBane Public Library recognized pension expense of \$12,119.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2015, Gorham-MacBane Public Library reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 61,556	\$ -
Net difference between projected and actual earnings on pension plan investments	-	21,769
Contributions subsequent to the measurement date of June 30, 2014	<u>16,102</u>	<u>-</u>
Total	<u>\$ 77,658</u>	<u>\$ 21,769</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2016	\$ 15,076
2017	15,076
2018	15,076
2019	(5,442)
2020	-
Thereafter	-

Payable to the Pension Plan

At June 30, 2015, Gorham-MacBane Public Library reported a payable of \$ 48,250 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

**Gorham-MacBane Public Library
(A Joint Venture)
Notes to Financial Statements
For the Year Ended June 30, 2015**

Note 4 – Nonspendable Fund Balance/Nonexpendable Net Position

Nonspendable fund balance/nonexpendable net position consists of a \$20,000 endowment held in trust and invested in a certificate of deposit. The certificate of deposit earns interest at rates commensurate with prevailing market rates for one-year certificates and renews annually. The market value of this instrument is not materially different from its carrying value presented in the financial statements. The Library is allowed to use the earnings only, not the corpus, for general budget purposes. The certificate of deposit is insured by the FDIC. This amount is also reported as restricted cash.

Note 5 – Restricted Fund Balance/Net Position

Restricted fund balance/net position consists of \$76,426 held in Edward Jones for donations restricted by donors for the library expansion. The market value of this account is not materially different from its carrying value presented in the financial statements. The Library is allowed to use the donations only for the building expansion. The account is insured by the SPIC. This amount is also reported as restricted cash.

The component unit has net assets temporarily restricted for the capital campaign of \$438,383.

Note 6 – Capital Assets

Changes in capital assets for the year are as follows:

<u>Cost</u>	<u>Capital Assets, not depreciated</u>		<u>Capital Assets, depreciated</u>			<u>Totals</u>
	<u>Land</u>	<u>Construction in Progress</u>	<u>Building and Improvements</u>	<u>Books and Audio Visual</u>	<u>Furniture and Equipment</u>	
6/30/2014	\$ 60,000	\$ 236,922	\$ 164,279	\$ 1,423,397	\$ 280,645	\$ 2,165,243
Additions	-	168,391	-	41,076	233,464	442,931
Retirements/Adjustments	-	-	-	-	-	-
6/30/2015	<u>60,000</u>	<u>405,313</u>	<u>164,279</u>	<u>1,464,473</u>	<u>514,109</u>	<u>2,608,174</u>
<u>Accumulated Depreciation</u>						
6/30/2014	-	-	164,279	1,154,658	217,026	1,535,963
Additions	-	-	-	54,443	8,542	62,985
Retirements	-	-	-	-	-	-
6/30/2015	<u>-</u>	<u>-</u>	<u>164,279</u>	<u>1,209,101</u>	<u>225,568</u>	<u>1,598,948</u>
Net Capital Assets	<u>\$ 60,000</u>	<u>\$ 405,313</u>	<u>\$ -</u>	<u>\$ 255,372</u>	<u>\$ 288,541</u>	<u>\$ 1,009,226</u>

Depreciation expense of \$62,985 was charged to the library services governmental activity.

**Gorham-MacBane Public Library
(A Joint Venture)
Notes to Financial Statements
For the Year Ended June 30, 2015**

Note 7 – State Appropriation

The Library receives support from the Red River Regional Library Center annually based on the funding the Center receives from the State of Tennessee and the service area population of Robertson County in relation to other counties serviced by Warioto. For the fiscal year ended June 30, 2015, Gorham-MacBane Public Library received funding of \$16,727 from the Warioto Regional Center. Gorham-MacBane does not receive this support in the form of cash payments. The Center uses these funds to purchase books and audio visual materials on behalf of the library.

Note 8 – Risk Management

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

Note 9 – Concentrations/Related Party Transactions

Gorham-MacBane Public Library has historically received approximately 90% of its funding from Robertson County and the City of Springfield.

Note 10 – Agency Fund

On June 3, 2014 an agency fund was established by the City of Springfield to administer the transactions for the building of a new library expansion.

Contributions for this expansion are deposited into the agency fund, and construction invoices and retainage payments are paid from this fund. Other small miscellaneous invoices relating to architect and engineering fees are paid from a restricted fund maintained by the Library itself and are reported as construction in progress in the financial statements.

The activity in the agency fund will not be reported on the Library's financial statements until the expansion project is complete.

A summary of the agency fund transactions is as follows:

	<u>Amount</u>
Balance, July 1, 2015	\$ 3,449,193
Contribution - Friends of Gorham-MacBane Public Library	182,086
Interest Earned	3,401
Contributions - County	50,197
Construction Costs	<u>(3,471,321)</u>
	<u>\$ 213,556</u>

**Gorham-MacBane Public Library
(A Joint Venture)
Notes to Financial Statements
For the Year Ended June 30, 2015**

Note 11 – 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 Balance - Governmental Fund	\$179,861
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Amounts reported for governmental activities in the statement of net assets are different because:

Assets that are not current financial resources in governmental funds, but are instead reported in the statement of net position

Capital assets, net of related accumulated depreciation	1,009,226
Deferred outflows related to pensions	77,658

Liabilities reported in the statement of net position, but since they are not due in the current period are not recorded in the governmental funds

Net pension liability	(48,250)
Deferred inflows related to pensions	(21,769)
Total Net Position	\$1,196,726

**Gorham-MacBane Public Library
(A Joint Venture)
Notes to Financial Statements
For the Year Ended June 30, 2015**

Note 12 – Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities

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

Change in Fund Balance - Governmental Fund	\$ 6,380
Governmental funds reflect pension expense as paid; however, in the statement of activities, pension expense net of employee contributions is reported as earned.	3,984
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	375,248
Change in Net Position	\$ 385,612

Note 13 – Subsequent Events

Management has evaluated events from June 30, 2015 through March 31, 2016, the date at which these financial statements were available to be issued, for events that impact these financial statements. No events have been identified.

The Library construction is now complete, and was renamed the Stokes Brown Library.

Note 14 – New Accounting Standard

The Library adopted the provisions of GASB No. 68 during the current year. This statement requires governmental organizations to recognize an asset or liability based upon the actuarial present value of accrued pension benefits earned to the actual assets of the pension plan. The adoption of this statement resulted in an increase to beginning net position of \$3,665.

Note 15 – Component Unit Promises to Give and Transfers To and From Component Unit

The component unit had \$160,301 due in the form of multiyear promises to give as of March 31, 2015. Of this amount, \$100,301 was pledged to be received within one year.

Friends of the Library raised significant funds for the construction project. \$1,000,000 was transferred directly to the agency fund maintained by the City of Springfield. The Library recorded transfers of \$301,900 as revenue but Friends only recorded transfers of \$49,784 as expense. The difference of \$252,116 is transfers received after the March 31 year end of Friends.

Note 16 – Prior Period Adjustment

A prior period adjustment was made to increase beginning net position by \$8,353. This reflects \$3,655 to record the beginning net pension asset and \$4,698 to correct beginning construction in progress.

Required Supplementary Information

**Schedule of Changes in Net Pension Liability
(Asset) and Related Ratios Based on Participation in the Public Employee
Pension Plan of TCRS
Last Fiscal Year Ending June 30, 2014**

Total Pension Liability	
Service Cost	\$ 2,858
Interest	22,679
Differences Between Actual and Expected Experience	82,073
Benefit Payments, Including Refunds of Employee Contributions	<u>(19,841)</u>
Net Change in Total Pension Liability	87,769
Total Pension Liability - Beginning	<u>309,456</u>
Total Pension Liability - Ending (a)	<u><u>\$ 397,225</u></u>
	-
Plan Fiduciary Net Position	
Contributions-Employer	\$ 12,368
Contributions-Employee	6,165
Net Investment Income	49,711
Benefit Payments, Including Refunds of Employee Contributions	<u>(19,841)</u>
Administrative Expense	<u>(171)</u>
Net Change in Plan Fiduciary Net Position	48,232
Plan Fiduciary Net Position - Beginning	<u>300,743</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 348,975</u></u>
Net Pension Liability (Asset) - Ending (a) - (b)	<u><u>\$ 48,250</u></u>
Plan Fiduciary Net Position As a Percentage of Total Pension Liability	<u><u>87.85%</u></u>
Covered-Employee Payroll	<u><u>\$ 123,307</u></u>
Net Pension Liability (Asset) As a Percentage of Covered-Employee Payroll	<u><u>39.13%</u></u>

**Schedule of Gorham MacBane Public Library's Contributions
Based on Participation in the Public Employee Pension Plan of TCRS
Last Fiscal Year Ending June 30, 2014**

Actuarially Determined Contribution	\$ 12,368
Contributions in Relation to the Actuarially Determined Contribution	12,368
Contribution Deficiency (Excess)	<u> -</u>
 Covered-Employee Payroll	 <u>\$123,307</u>
 Contributions As a Percentage Covered-Employee Payroll	 <u>10.03%</u>

Notes to Schedule

Valuation date : Actuarially determined contribution rates for 2015 were calculated based on the July, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Frozen initial liability
Amortization Method	Level dollar, closed (not to exceed 20 years)
Remaining Amortization Period	16 Years
Asset Valuation	10-year smoothed with a 20 percent corridor to market value
Inflation	3.0 percent
Salary Increases	Graded salary ranges form 8.97 to 3.71 percent based
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement Age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5 percent

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Gorham-MacBane Public Library

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, and the major fund of Gorham-MacBane Public Library (the Library), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated March 31, 2016. Our report included a qualified opinion on the statement of net assets and the statement of activities due to scope limitations.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2015-001 and 2015-002.

**INDEPENDENT AUDITORS' 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 (CONTINUED)**

Compliance and Other Matters

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

Management's Response to Findings

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

Purpose of this Report

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

Blankenship CPA Group, PLLC

March 31, 2016

Gorham-MacBane Public Library
Findings and Responses
For the Year Ended June 30, 2015

Finding 2015-001 – Capital Asset Records (repeat finding)

Statement of Condition

The capital asset records do not provide a reliable audit trail to substantiate their value. However, management has made great progress in that the books have now been inventoried and valued.

Criteria

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

Effect of Condition

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

Recommendation

Management should inventory equipment and furniture and assign a value. Assets disposed of after the move should be removed.

Management Response

Management will properly inventory and reconcile capital asset records to the accounting records in the future.

Finding 2015-002 – Inadequate Records of Component Unit

Statement of Condition

The documentation of the accounting records for Friends of the Library was insufficient, especially in regard to contributions received. Due to the effective oversight of the library personnel, the auditor was able to reduce the risk to an acceptable level.

Criteria

Accounting records along with supporting documentation should be maintained to ensure proper accounting and handling of funds.

Effect of Condition

It is difficult to monitor and account for funds without proper documentation and records. The handling of funds in the component unit also reflects on the Library.

Recommendation

We recommend that action be taken to ensure that appropriate books and records are maintained for the existing or future component units or foundations.

Management Response

Friends of the Library has purchased accounting software in order to provide a more adequate audit trail.

Gorham-MacBane Public Library
Schedule of Prior Audit Findings
For the Year Ended June 30, 2015

Financial Statement Findings

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2014-1	Capital Assets	Repeated
2014-2	Line Items Over Budget	No material line item variances other than capital outlay funded with transfers from the component unit.