

AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

**SHELBYVILLE-BEDFORD COUNTY  
PUBLIC LIBRARY**

Shelbyville, Tennessee  
June 30, 2015

**WINNETT**  
*Associates, PLLC*

Certified Public Accountants and Consultants

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**DIRECTORY OF OFFICIALS**  
**SHELBYVILLE-BEDFORD COUNTY PUBLIC LIBRARY**

**June 30, 2015**

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Members of the Library Board of Trustees:

Members appointed by Bedford County Board of Commissioners:

Ben Craig	Amy Mitchell
Missy Eakin	Alice Russell
Fred Hunt	Al Simmons
Vicki McCord	

Members appointed by Shelbyville City Council:

Daryl O'Neal	Susan Derryberry
Kay Rose	Brent Canady
Monty Thomas	Lynn Hulan
Rheaetta Wilson	

Officers:

Chairman	Amy Mitchell
Vice-Chairman	Missy Eakin
Secretary	Monty Thomas
Treasurer	Daryl O'Neal

Regional Library Board Members:

Rheaetta Wilson  
Pat Hastings

Librarian: Rita Allen

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
Shelbyville-Bedford County Public Library

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Shelbyville-Bedford County Public Library (the Library) as of and for the year ended June 30, 2015, and the related notes to the financial statements. We were engaged to audit the financial statements of the aggregate discretely presented component units. These financial statements collectively comprise the Library's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the aggregate discretely presented component units

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

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

***Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Units***

The financial statements of Friends of Argie Cooper Public Library (the Friends) and Argie Cooper Public Library Foundation (the Foundation) have not been audited, and we were not engaged to audit their financial statements as part of our audit of the Library's basic financial statements. The Friends and the Foundation's financial activities are included in the Library's basic financial statements as discretely presented component units and represent all of the assets, net position, and revenues, respectively, of the Library's aggregate discretely presented component units.

***Disclaimer of Opinion***

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Units" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the aggregate discretely presented component units of the Library. Accordingly, we do not express an opinion on these financial statements.

***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Shelbyville-Bedford County Public Library as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note I to the financial statements, the Library adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the pension information that appears on pages 26 and 27 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 Shelbyville-Bedford County Public Library's basic financial statements. The introductory section and supplementary section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2015, on our consideration of Shelbyville-Bedford County 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 the Library's internal control over financial reporting and compliance.

*Winnett Associates, PLLC*

December 23, 2015

**STATEMENT OF NET POSITION**  
**SHELBYVILLE-BEDFORD COUNTY PUBLIC LIBRARY**

June 30, 2015

	Primary Government	Component Units	
	Governmental Activities	Friends of the Library	Library Foundation
<b><u>ASSETS</u></b>			
Cash	\$ 25,983	\$ 6,301	\$ 17,469
Receivable from Foundation	150,914	-	-
Prepaid insurance	1,741	-	-
Capital assets net of accumulated depreciation	2,888,140	-	-
Net pension asset	129,251	-	-
TOTAL ASSETS	<u>3,196,029</u>	<u>6,301</u>	<u>17,469</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Pension changes in experience	<u>32,757</u>	<u>-</u>	<u>-</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	158,687	-	-
Payable to Library	-	-	150,914
Payroll taxes payable	4,105	-	-
Accrued vacation liability	3,055	-	-
Noncurrent liabilities:			
Due within one year	2,313	-	123,540
Not due within one year	1,893	-	-
TOTAL LIABILITIES	<u>170,053</u>	<u>-</u>	<u>274,454</u>
<b><u>DEFERRED INTFLOWS OF RESOURCES</u></b>			
Pension changes in investment earnings	<u>30,170</u>	<u>-</u>	<u>-</u>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	2,733,020	-	-
Restricted for:			
Construction of new building	-	-	-
Unrestricted	295,543	6,301	(256,985)
TOTAL NET POSITION	<u>\$ 3,028,563</u>	<u>\$ 6,301</u>	<u>\$ (256,985)</u>

The accompanying notes are an integral part of this financial statement.

**STATEMENT OF ACTIVITIES**  
**SHELBYVILLE-BEDFORD COUNTY PUBLIC LIBRARY**

For the year ended June 30, 2015

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position		
					Primary Government	Component Units	
						Friends of the Library	Library Foundation
Primary government:							
General government-Library	\$ 359,408	\$ 19,135	\$ 291,140	\$ 1,938,261	\$ 1,889,128	\$ -	\$ -
Component units:							
Friends of the Library	\$ 14,816	\$ -	\$ 16,617	\$ -	\$ -	\$ 1,801	\$ -
Library Foundation	2,066,291	-	-	232,327	-	-	(1,833,964)
Total component units	\$ 2,081,107	\$ -	\$ 16,617	\$ 232,327	\$ -	\$ 1,801	\$ (1,833,964)
∞							
General revenues:							
Unrestricted investment earnings					\$ 140	\$ -	\$ -
Pension income					3,253	-	-
Total general revenues					3,393	-	-
Change in net position					1,892,521	1,801	(1,833,964)
Net position - beginning, as restated					1,136,042	4,500	1,576,979
Net position - ending					\$ 3,028,563	\$ 6,301	\$ (256,985)

The accompanying notes are an integral part of this financial statement.

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SHELBYVILLE-BEDFORD COUNTY PUBLIC LIBRARY**  
**June 30, 2015**

	General Fund	Permanent Fund	Total Governmental Funds
<b><u>ASSETS</u></b>			
Cash	\$ 25,983	\$ -	\$ 25,983
Receivable from Foundation	150,914	-	150,914
Prepaid insurance	1,741	-	1,741
TOTAL ASSETS	<u>\$ 178,638</u>	<u>\$ -</u>	<u>\$ 178,638</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 158,687	\$ -	\$ 158,687
Payroll taxes payable	4,105	-	4,105
TOTAL LIABILITIES	<u>162,792</u>	<u>-</u>	<u>162,792</u>
<b><u>FUND BALANCES</u></b>			
Nonspendable - prepaid insurance	1,741	-	1,741
Unassigned	14,105	-	14,105
TOTAL FUND BALANCES	<u>15,846</u>	<u>-</u>	<u>15,846</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 178,638</u>	<u>\$ -</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,888,140
Long-term liabilities and deferred inflows are not due and payable in the current period and, therefore, are not reported in the funds:	
Long term liabilities	(7,261)
Deferred inflows	(30,170)
The net pension asset is not an available resource and, therefore, is not reported in the funds.	129,251
Deferred outflows are not available to pay for current period expenditures and therefore are not reported in the governmental funds.	32,757
Net position of governmental activities	<u>\$ 3,028,563</u>

The accompanying notes are an integral part of this financial statement.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

**SHELBYVILLE-BEDFORD COUNTY PUBLIC LIBRARY**

For the year ended June 30, 2015

	General Fund	Permanent Fund	Total Governmental Funds
<b>SUPPORT AND REVENUES:</b>			
Support:			
Appropriation from Bedford County, Tennessee	\$ 142,390	\$ -	\$ 142,390
Appropriation from Shelbyville, Tennessee	136,000	-	136,000
TOTAL SUPPORT	278,390	-	278,390
Revenues:			
Gifts and memorials	15,355	-	15,355
Donations from Foundation	1,814,324	-	1,814,324
Grants	102,307	-	102,307
Fines	1,525	-	1,525
Interest income	19	146	165
Book sales	1,850	-	1,850
Laminating	28	-	28
Equipment use-copy machine	5,215	-	5,215
Equipment use-fax	1,925	-	1,925
Library cards	949	-	949
Lost books/materials	483	-	483
Miscellaneous income	7,160	-	7,160
Unrealized loss on investment	(25)	-	(25)
TOTAL REVENUES	1,951,115	146	1,951,261
TOTAL SUPPORT AND REVENUES	2,229,505	146	2,229,651
<b>EXPENDITURES:</b>			
Salaries and benefits	209,272	-	209,272
Books	17,841	-	17,841
Capital outlay/ capital lease	1,922,924	66,213	1,989,137
Utilities	16,363	-	16,363
Maintenance and repairs	4,702	-	4,702
Supplies	5,640	-	5,640
Periodicals	4,022	-	4,022
Insurance	10,121	-	10,121
Audio visual materials	2,863	-	2,863
Professional services	4,600	-	4,600
Summer reading program	1,515	-	1,515
Printing and binding	3,146	-	3,146
Telephone	7,365	-	7,365
Postage	1,687	-	1,687
Travel and professional dues	823	-	823
Automation and support	4,053	-	4,053
Miscellaneous	8,249	-	8,249
Bookmobile	908	-	908
Other fees	1,466	-	1,466
TOTAL EXPENDITURES	2,227,560	66,213	2,293,773
NET CHANGE IN FUND BALANCES	1,945	(66,067)	(64,122)
FUND BALANCES AT JULY 1, 2014	13,901	66,067	79,968
FUND BALANCES AT JUNE 30, 2015	\$ 15,846	\$ -	\$ 15,846

The accompanying notes are an integral part of this financial statement.

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

**SHELBYVILLE-BEDFORD COUNTY PUBLIC LIBRARY**

For the year ended June 30, 2015

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

Net change in fund balances - total governmental funds	\$ (64,122)
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized	2,004,716
Depreciation expense	(65,172)
The net effect of various miscellaneous transactions involving capital assets is to increase (decrease) net position:	
Donation of capital assets	19,023
Sales and abandonments of capital assets	(7,441)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	
Capital lease obligation principal payments	1,682
Some expenses reported in the statement of activities do not require current financial resources and therefore are not reported as expenditures in governmental funds:	
Compensated absences	582
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	3,253
Change in net position of governmental activities	<u>\$ 1,892,521</u>

The accompanying notes are an integral part of this financial statement.

**NOTES TO FINANCIAL STATEMENTS**  
**SHELBYVILLE-BEDFORD COUNTY PUBLIC LIBRARY**

**June 30, 2015**

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Financial Reporting Entity and Introduction

Shelbyville-Bedford County Public Library is a joint venture of Bedford County, Tennessee and the City of Shelbyville, Tennessee, who provide the Library's primary support. The Library operates under Tennessee State Law and the rules and regulations of the Stones River Regional Library, and provides materials which help meet the informational and recreational needs of area residents.

The Library is governed by a voluntary, fourteen member Board of Trustees appointed by the County and the City.

Component units of the Shelbyville-Bedford County Public Library include Friends of Argie Cooper Public Library and the Argie Cooper Public Library Foundation. These entities do not issue separately audited financial statements. The component units are reported in the financial statements as shown in the following table:

<u>Discretely Presented Component Units</u>	<u>Brief Description of Activities and Relationship to Library</u>
Friends of Argie Cooper Public Library	Established to raise funds for the direct benefit of the Shelbyville-Bedford County Public Library. The Friends of the Argie Cooper Public Library is governed by a council comprised of twelve members who are approved by its membership. The Friends of the Argie Cooper Public Library accounts for its activities using the full accrual basis of accounting.
Argie Cooper Public Library Foundation (The Foundation)	The purpose of the Foundation is to solicit, receive, administer, invest, and disburse funds for the advancement of the Shelbyville-Bedford County Public Library. The Foundation's Board of Directors is comprised of twenty-five members who are nominated and voted upon by the Argie Cooper Public Library's Board of Directors. The Foundation accounts for its activities using the full accrual basis of accounting.

Subsequent to June 30, 2015, the Friends of Argie Cooper Public Library's name was changed to Friends of the Library and the Argie Cooper Public Library Foundation's name was changed to The Shelbyville-Bedford County Public Library Foundation.

(2) Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct 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

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SHELBYVILLE-BEDFORD COUNTY PUBLIC LIBRARY**

**June 30, 2015**

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) Government-wide and Fund Financial Statements (Continued)

privileges 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. Other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Each of these funds is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues and expenses or expenditures. The following funds are used by the Library:

General Fund - This fund is the Library's primary operating fund. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

Permanent Fund - This fund represent gifts and bequests, which have been accepted with the donor stipulation that the principal be maintained intact in perpetuity or for a specified period, with only the income to be utilized.

(3) Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as 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 collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SHELBYVILLE-BEDFORD COUNTY PUBLIC LIBRARY**

**June 30, 2015**

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(4) Budgetary Data

Budgeting is employed as a management control for the general fund of the Library. Although not legally required, an annual operating budget is adopted each fiscal year and submitted to Bedford County, Tennessee and to City of Shelbyville, Tennessee for their consideration of requested appropriations.

(5) Fund Balance Policies

Fund balance of governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

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

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

Committed fund balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal vote of the Library Board of Trustees, the Library's highest level of decision-making authority.

Assigned fund balance – includes amounts that are constrained by the Library's intent to be used for specific purposes, but are neither restricted nor committed. The Library Board of Trustees has not authorized any person to make assignments.

Unassigned fund balance – the residual classification of the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

(6) Fund Balance Flow Assumption

Sometimes the Library will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Library's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, the Library Board of Trustees will determine the best use of funds based on the specific facts and circumstances at that time.

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SHELBYVILLE-BEDFORD COUNTY PUBLIC LIBRARY**

**June 30, 2015**

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(7) Net Position Flow Assumption

The Library will on occasion fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Library's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

(8) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Library has one item that qualify for reporting in this category. This item is the difference between expected and actual experience in the calculation of the total pension liability. This amount is deferred and amortized over five years. See note G for further information concerning deferred outflows related to the pension plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Library has one item that qualify for reporting in this category. This item is the difference between projected and actual earnings on pension plan investments. This amount is deferred and amortized over five years. See note G for further information concerning deferred inflows related to the pension plan.

(9) Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SHELBYVILLE-BEDFORD COUNTY PUBLIC LIBRARY**

**June 30, 2015**

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets of the governmental activities are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Books	10
Buildings and improvements	25 - 50
Furniture and equipment	5 - 50

(10) Vacation Pay

The Library grants vacation time to full-time employees based on the amount of time they have been employed at the Library. Vacation time is available on January 1 of each calendar year, and up to 5 days are allowed to be carried over from one year to the next. Upon termination, vacation time will not be paid. As of June 30, 2015, the liability for accrued vacation is \$3,055 and is recorded in the statement of net position.

(11) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense/ income, information about the fiduciary net position of Shelbyville-Bedford County Public Library's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Shelbyville-Bedford County 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.

NOTE B - CASH DEPOSITS

The Library has not formally adopted deposit and investment policies that limit the allowable deposits or investments and address the specific types of risks to which they are exposed. They also do not have a formal policy that limits custodial credit risk for deposits. Custodial credit risk is the risk that in the event of a bank failure the Library's deposits may not be returned to it.

The Library's deposits at June 30, 2015, were entirely covered by federal depository insurance.

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SHELBYVILLE-BEDFORD COUNTY PUBLIC LIBRARY**

**June 30, 2015**

NOTE C - COMMERCIAL INSURANCE

It is the policy of the Library to purchase commercial insurance for the risk of losses to which it is exposed. The insurance purchased includes general liability, property and casualty, and worker's compensation. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE D - COMMITMENTS AND CONTINGENCIES

The Library receives a substantial amount of its support from local governments. A significant reduction in the level of this support, if this were to occur, could have a significant effect on the Library's programs and activities.

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 159,500	\$ -	\$ -	\$ 159,500
Construction in progress	488,592	1,980,537	2,469,429	-
Total capital assets, not being Depreciated	<u>648,092</u>	<u>1,980,537</u>	<u>2,469,429</u>	<u>159,500</u>
Capital assets, being depreciated:				
Buildings	357,398	2,469,129	-	2,826,527
Books	390,962	38,727	89,663	340,026
Furniture	49,811	1,000	12,240	38,571
Fixtures	58,755	-	-	58,755
Equipment	<u>64,760</u>	<u>3,473</u>	<u>7,861</u>	<u>60,372</u>
Total capital assets being depreciated	921,686	2,512,329	109,764	3,324,251
Less accumulated depreciation for:				
Buildings	328,638	15,443	-	344,081
Books	195,892	40,395	87,023	149,264
Furniture	26,871	1,146	9,361	18,656
Fixtures	44,136	1,380	-	45,516
Equipment	<u>37,226</u>	<u>6,807</u>	<u>5,939</u>	<u>38,094</u>
Total accumulated depreciation	<u>632,763</u>	<u>65,171</u>	<u>102,323</u>	<u>595,611</u>
Total capital assets, being depreciated, net	<u>288,923</u>	<u>2,447,158</u>	<u>7,441</u>	<u>2,728,640</u>
Governmental activities capital assets, net	<u>\$ 937,015</u>	<u>\$ 4,472,695</u>	<u>\$ 4,476,570</u>	<u>\$ 2,888,140</u>

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SHELBYVILLE-BEDFORD COUNTY PUBLIC LIBRARY**

June 30, 2015

NOTE F - LONG-TERM DEBT

*Capital Lease*

The Library has entered into lease agreements as lessee for financing the acquisition of capital assets. These lease agreements are capital leases for accounting purposes and, therefore, have been recorded at the fair value of the leased property as of the inception date.

The assets acquired through the capital leases for the governmental activities are as follows:

Asset:

Equipment	\$ 11,280
Less: accumulated depreciation	<u>(9,092)</u>
Total	<u>\$ 2,188</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015, were as follows:

Year Ending <u>June 30</u>	Governmental <u>Activities</u>
2016	\$ 3,110
2017	<u>2,073</u>
Total minimum lease payments	5,183
Less: amount representing interest	<u>(977)</u>
Present value of minimum lease payments	<u>\$ 4,206</u>

*Promissory Note*

The Library, along with the Foundation, is a borrower on a \$450,000 line of credit with First Community Bank dated May 24, 2014. The intended purpose of this loan is to partially fund the construction of the new library building. As of June 30, 2015, \$123,540 had been drawn on this line. The note carries interest at 3.25% and matures August 1, 2015. The new library building is held as collateral on this note. This loan is shown as a liability of the Foundation because the funds were placed in the Foundation's construction bank account. Substantially all costs to construct the new building were to be paid out of this construction loan account and it is expected that the loan will be repaid through this same account. Subsequent to June 30, 2015, the maturity date of the loan was extended through February 7, 2016.

Long-term liability activity for the year ended June 30, 2015 was as follows:

*Library*

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Noncurrent liabilities	\$ 5,887	\$ -	\$ 1,681	\$ 4,206	\$ 2,313

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SHELBYVILLE-BEDFORD COUNTY PUBLIC LIBRARY**

June 30, 2015

NOTE F - LONG-TERM DEBT (Continued)

*Foundation*

	<u>Beginning</u>			<u>Ending</u>	<u>Amounts Due</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Within One Year</u>
Noncurrent liabilities	\$ -	\$ 168,345	\$ 44,805	\$ 123,540	\$123,540

NOTE G - PENSION PLAN

**General Information about the Pension Plan**

Plan Description

Employees of Shelbyville-Bedford County 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](http://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. 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.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SHELBYVILLE-BEDFORD COUNTY PUBLIC LIBRARY**

**June 30, 2015**

NOTE G - PENSION PLAN (Continued)

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	1
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>5</u>
	<u>6</u>

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. Shelbyville-Bedford County 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 Shelbyville-Bedford County Public Library were -0- based on a rate of -0- percent of covered payroll. By law, employer contributions are required to be paid. 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)**

Shelbyville-Bedford County Public Library's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total 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
Cost-of-living Adjustment	2.5 percent

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SHELBYVILLE-BEDFORD COUNTY PUBLIC LIBRARY**

June 30, 2015

NOTE G - 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>

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 Shelbyville-Bedford County 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.

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SHELBYVILLE-BEDFORD COUNTY PUBLIC LIBRARY**

June 30, 2015

NOTE G - PENSION PLAN (Continued)

**Changes in Net Pension Liability (Asset)**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 6/30/13	\$ 300,366	\$ 428,951	\$ (128,585)
Changes for the year:			
Service cost	12,491	-	12,491
Interest	22,660	-	22,660
Differences between expected and actual experience	39,309	-	39,309
Contributions-employer	-	-	-
Contributions-employees	-	5,999	(5,999)
Net investment income	-	69,298	(69,298)
Benefit payments, including refunds of employee contributions	(21,457)	(21,457)	-
Administrative expense	-	(171)	171
Net changes	<u>53,003</u>	<u>53,669</u>	<u>(666)</u>
Balance at 6/30/14	<u>\$ 353,369</u>	<u>\$ 482,620</u>	<u>\$ (129,251)</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate

The following presents the net pension liability (asset) of Shelbyville-Bedford County 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%)	Discount Rate 1% Increase (7.5%)	(8.5%)
Net pension liability (asset)	\$ (83,006)	\$ (129,251)	\$ (165,948)

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SHELBYVILLE-BEDFORD COUNTY PUBLIC LIBRARY**

June 30, 2015

NOTE G - PENSION PLAN (Continued)

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

Pension income

For the year ended June 30, 2015, Shelbyville-Bedford County Public Library recognized pension income of \$3,253.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2015, Shelbyville-Bedford County Public Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 32,757	\$ -
Net difference between projected and actual earnings on pension plan investments	-	30,170
Total	<u>\$ 32,757</u>	<u>\$ 30,170</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	\$ (991)
2017	(991)
2018	(991)
2019	(991)
2020	6,552
Thereafter	-

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SHELBYVILLE-BEDFORD COUNTY PUBLIC LIBRARY**

**June 30, 2015**

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**NOTE H - DONOR-RESTRICTED ENDOWMENT**

The Library has an endowment fund established to receive contributions, provide for the sound investment and management of such contributions for income and capital appreciation, and to distribute income and principal for the general purposes of supporting, maintaining, and perpetuating the Library. There is no policy that limits the spending of the appreciation outside of the general purposes of the endowment fund.

The nonexpendable portion of the endowment totaled \$43,104 at June 30, 2014. During the fiscal year ended June 30, 2015, the donor released the Library from the restriction on the donation in order for it to be used as partial funding for the construction of the new library building.

**NOTE I - IMPLEMENTATION OF GASB STATEMENT NUMBERS 68 AND 71**

Effective for the fiscal year ending June 30, 2015, the Library implemented the provisions of GASBS 68, *Accounting and Financial Reporting for Pensions* and GASBS 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements' primary objective is to improve accounting and financial reporting for pensions. Among the requirements of GASBS 68 are the recognition of a net pension liability or asset. The net pension liability or asset is measured as the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service, net of the pension plan's fiduciary net position. Accounting changes adopted to conform to the provisions of these statements are to be applied retroactively by restating financial statements.

The effect of implementing GASBS 68 has been the restatement of beginning net position as follows:

Net position June 30, 2014 as previously reported	\$ 1,007,460
Net position asset at July 1, 2013	<u>13,383</u>
Net position June 30, 2014, restated	<u>\$ 1,136,042</u>

The effect of adopting these statements on the change in net position for the year ended June 30, 2015, was to increase the change \$3,253. Because the total pension liability has not previously been actuarially calculated, pro forma amounts for the year ending June 30, 2014, are not readily determinable.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS  
 BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEES PENSION PLAN OF TCRS  
 SHELBYVILLE-BEDFORD COUNTY PUBLIC LIBRARY**

	2014
TOTAL PENSION LIABILITY	
Service cost	\$ 12,491
Interest	22,660
Changes in benefit terms	-
Differences between actual & expected experience	39,309
Change of assumptions	-
Benefit payments, including refunds of employee contributions	(21,457)
Net change in total pension liability	53,003
Total pension liability-beginning	300,366
Total pension liability-ending (a)	\$ 353,369
PLAN FIDUCIARY NET POSITION	
Contributions-employer	\$ -
Contributions-employee	5,999
Net investment income	69,298
Benefit payments, including refunds of employee contributions	(21,457)
Administrative expense	(171)
Net change in plan fiduciary net position	53,669
Plan fiduciary net position-beginning	428,951
Plan fiduciary net position-ending (b)	\$ 482,620
Net pension liability (asset)-ending (a) - (b)	\$ (129,251)
Plan fiduciary net position as a percentage of total pension liability	136.58%
Covered employee payroll	\$ 119,985
Net pension liability (asset) as a percentage of covered employee payroll	107.72%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will added to this schedule in future fiscal years until 10 years of information is available.

**SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE PUBLIC  
EMPLOYEE PENSION PLAN OF TCRS  
SHELBYVILLE-BEDFORD COUNTY PUBLIC LIBRARY**

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	<u>2014</u>	<u>2015</u>
Actuarially determined contribution	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	-	-
Contribution deficiency (excess)	-	-
	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 119,985	\$ 127,592
Contributions as a percentage of covered-employee payroll	0.00%	0.00%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will added to this schedule in future fiscal years until 10 years of information is available.

**Notes to Schedule**

*Valuation date:*

Actuarially determined contribution rates for 2015 were calculated based on the July 1, 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	1 year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
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 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

## **SUPPLEMENTARY INFORMATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
SHELBYVILLE-BEDFORD COUNTY PUBLIC LIBRARY**

Year ended June 30, 2015

Grantor Agency	Program Name	CFDA Number	Contract Number	Beginning Accrued	Cash Receipts	Expenditures	Ending Accrued
<u>FEDERAL AWARDS</u>							
Institute of Museum and Library Services(1)	Grants to States	45.310	30504-00315-117	\$ -	\$ 2,307	\$ 2,307	\$ -
			TOTAL FEDERAL AWARDS	<u>-</u>	<u>2,307</u>	<u>2,307</u>	<u>-</u>
<u>STATE FINANCIAL ASSISTANCE</u>							
Tennessee State Library and Archives			30504-00415-02	-	100,000	100,000	-
			TOTAL STATE FINANCIAL ASSISTANCE	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
			TOTAL STATE AND FEDERAL AWARDS	<u>\$ -</u>	<u>\$ 102,307</u>	<u>\$ 102,307</u>	<u>\$ -</u>

**Note 1:** This Schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of Argie Cooper Public Library under programs of the federal and state governments for the year ended June 30, 2015. The schedule is presented using the modified accrual basis of accounting.

(1) - Federal funds passed through the State of Tennessee, Department of State, Tennessee State Library and Archives.

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

Board of Trustees  
Shelbyville-Bedford County 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 aggregate discretely presented component units and each major fund of Shelbyville-Bedford County Public Library, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Shelbyville-Bedford County Public Library's basic financial statements, and have issued our report thereon dated December 23, 2015. As described in our report on Shelbyville-Bedford County Public Library's financial statements the aggregate discretely presented component units were not audited. Therefore, this report does not include the results of testing of internal control over financial reporting or compliance and other matters of the aggregate discretely presented component units.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Shelbyville-Bedford County 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 below, 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. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We consider the deficiencies described in the accompanying schedule of findings to be material weaknesses: (2015-001 and 2015-002)

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Shelbyville-Bedford County Public 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*.

### **Shelbyville-Bedford County Public Library's Response to Findings**

The Library's responses to the findings identified in our audit are described in the schedule of findings. 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.

*Winneth Associates, PLLC*

December 23, 2015

**SCHEDULE OF FINDINGS**  
**SHELBYVILLE-BEDFORD COUNTY PUBLIC LIBRARY**

June 30, 2015

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**FINDING 2015–001 Lack of Segregation of Duties**

*Condition, Criteria, Cause and Effect:* There is a lack of adequate segregation of duties due to the librarian performing several key functions including reconciling bank statements, recording of transactions, financial reporting including budgeting, and payroll.

*Recommendation:* We acknowledge that the limited number of personnel may preclude ideal segregation of duties for the functions listed above. However, we recommend that, whenever possible, responsibilities be reassigned to provide for adequate segregation of duties. To fully address this issue there are two areas in which improvements should be made:

Cash receipts - We would suggest an individual, other than the librarian, be responsible for opening the mail and preparing a list of all money/checks received in the mail. All checks should be stamped “for deposit only” and a receipt should be issued to the person opening the mail upon delivering the funds to the responsible person. As an alternative to a receipt being issued to the person opening the mail you could require an initialing of the log as a means of acknowledging the transfer of the funds.

Payroll – It is our understanding the librarian has full responsibility for all payroll duties including the preparation of tax forms. There are several controls that might be added to mitigate this issue. One control would of course be to have another employee responsible for these duties; however, we understand that may not be practical due to the size of the entity. Preparation of the tax forms by a person other than the librarian would also be a solution. Another might involve a process whereby a person reviews and approves the forms prepared by the librarian. We would be happy to discuss the various possibilities at your convenience.

*Management Response:* We would like to point out that during this past fiscal year we began having our treasurer review and approve the bank reconciliations to strengthen our controls and thus reduce the internal control deficiency caused by a lack of segregation of duties. We will consider the auditor’s suggestions for strengthening our controls and make changes as considered necessary.

**FINDING 2015–002 External Financial Reporting**

*Condition, Criteria, Cause and Effect:* The Library does not employ anyone trained to prepare financial statements for external reporting in accordance with generally accepted accounting principles.

*Recommendation:* Management of the Library should determine whether it would be financially feasible to train or hire someone to be able to prepare financial statements in accordance with generally accepted accounting principles.

*Management Response:* At this time we do not believe the benefit of addressing this control deficiency would exceed the cost.

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

**SHELBYVILLE-BEDFORD COUNTY PUBLIC LIBRARY**

**For the Fiscal Year Ended June 30, 2015**

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Financial Statement Findings

Finding Number	Finding Title	Status
2015-001	Segregation of duties (original finding # 2007-001)	Repeated
2015-002	External financial reporting (original finding # 2007-002)	Repeated

Federal Award Findings and Questioned Costs

Not applicable