

**JACKSON-MADISON COUNTY LIBRARY**

**JACKSON, TENNESSEE**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**JUNE 30, 2015**

**JACKSON-MADISON COUNTY LIBRARY  
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## Independent Auditor's Report

Board of Trustees  
Jackson-Madison County Library  
Jackson, Tennessee

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

We have audited the accompanying financial statements of the governmental activities and the major fund information of the Jackson-Madison County Library, Jackson, Tennessee (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.

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

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

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

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

## **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 major fund information of the 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 management's discussion and analysis on pages 4 through 6 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.

### *Other Information*

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

The supplementary and other information section, except that marked unaudited, 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 and other information section, except that marked unaudited is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of officials 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 11, 2015, on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and

other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

Jackson, Tennessee  
December 11, 2015

## Management's Discussion and Analysis

As management of the Jackson - Madison County Library (the Library), the board of trustees offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal year ended June 30, 2015. All amounts, unless otherwise indicated, are expressed in actual dollars. A comparative analysis of key elements of total governmental funds has been provided.

### FINANCIAL HIGHLIGHTS

The board of trustees believes the Library's financial condition is acceptable. The Library is still within its financial policies and guidelines set by the board and management. The following are key financial highlights.

- Total assets at year-end were \$827 thousand and total liabilities at year end were \$15 thousand.
- Operating revenues were \$1.07 million, while operating expenses were approximately \$1.12 million, which resulted in a decrease in net position of approximately \$46 thousand.

### OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the financial statements and supplementary information. The MD&A represents management's examination and analysis of the Library's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Library's strategic plan, budget, bond resolutions and other management tools were used for this analysis. The Financial Statements are made up of three sections: 1) the financial section, 2) supplementary and other information section, and 3) the internal control and compliance section. The financial section includes the independent auditor's report, the MD&A, the financial statements with accompanying notes, and the required supplementary information section. The supplementary and other information section includes other selected financial information and other information. The internal control and compliance section includes the report on internal control and compliance and the schedule of findings and responses.

### REQUIRED FINANCIAL STATEMENTS

Due to the Library being composed of only two governmental funds, a consolidated format has been used to present the fund statements and the government-wide statements with the reconciliation included as an additional column. The following statements are included in the financial statements of the Library:

The *Statement of Net Position and Governmental Funds Balance Sheet* includes all of the Library's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Library's creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure, and assessing the liquidity and financial flexibility of the Library. As of the year ended June 30, 2015, the Library reported no deferred inflows/outflows of resources.

The *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance* presents the results of the activities over the course of the fiscal year and information as to how the net position and fund balances changed during the year. All changes in net position and fund balances are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement measures the success of the Library's operations and can be used to determine whether the Library has successfully recovered all of its costs. This statement also measures the Library's profitability and credit worthiness.

The *Notes to the Financial Statements* provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Library's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Statement of Net Position** - As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Library, total liabilities at year end were \$15 thousand and the assets exceeded liabilities by \$811 thousand. A majority of the Library's net position (81%) reflects its investment in capital assets (e.g., books, materials, and equipment).

<b>CONDENSED STATEMENT OF NET POSITION</b>		
	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Current and other assets	\$ 172,924	\$ 184,672
Capital assets	<u>653,642</u>	<u>682,213</u>
Total assets	<u>826,566</u>	<u>866,885</u>
Current liabilities	<u>14,965</u>	<u>9,052</u>
Total liabilities	<u>14,965</u>	<u>9,052</u>
Investment in capital assets	653,642	682,213
Restricted for permanent fund	17,798	16,848
Unrestricted	<u>140,161</u>	<u>158,772</u>
Total net position	<u>\$ 811,601</u>	<u>\$ 857,833</u>

**Statement of Activities** – Expenses in the governmental activities column exceeded revenues by \$46 thousand.

<b>CONDENSED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION</b>		
	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Operating revenues	\$ 1,072,004	\$ 1,279,386
Operating expenditures	<u>1,118,236</u>	<u>1,122,612</u>
Change in net assets	(46,232)	156,774
Beginning net position	<u>857,833</u>	<u>701,059</u>
Ending net position	<u>\$ 811,601</u>	<u>\$ 857,833</u>

## COMMENTS ON FUND FINANCIAL STATEMENTS

The Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds** – The focus of the Library's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Library's financing requirements.

In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Revenue and other financing sources in the general fund decreased from last year by approximately \$208 thousand. The most significant change in revenues and other financing sources in the general fund was:

- A \$132 thousand decrease in city/county funding

Expenditures and other financing uses in the general fund decreased from last year by approximately \$132 thousand. The most significant changes in expenditures and other financing uses in the general fund were due to the following net affects of these expenses changing:

- Circulation materials decreased by \$32 thousand
- Building renovations and the purchase of furniture and equipment decreased by \$88 thousand

A budget comparison statement has been provided to demonstrate compliance with the budget. The following are the significant variances from the budget to the actual amounts this year:

- Received additional donations from the Foundation and Friends than expected
- General expenditures were higher than expected

### **CAPITAL ASSET ADMINISTRATION**

Capital Assets - At the end of the fiscal year, the Library had invested \$654 thousand in a variety of capital assets.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The unemployment rate for Madison County is currently 6.1%. The state's average unemployment rate is 5.6%. The nation average is 5.1%. All figures are from labor statistics released in September 2015.

There are no substantial changes anticipated for next year's budget.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Library's finances for citizens, taxpayers, customers, investors, creditors and all others with an interest in the Library's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Jackson-Madison County Library; 433 East Lafayette Street; Jackson, Tennessee 38301.

## **BASIC FINANCIAL STATEMENTS**

**JACKSON-MADISON COUNTY LIBRARY**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
June 30, 2015

	General Fund	Permanent Fund	Total	Adjustments (Note 3)	Statement of Net Position
<b>Assets</b>					
Cash on deposit	\$ 154,809	\$ 17,798	\$ 172,607	\$ -	\$ 172,607
Cash on hand	317	-	317	-	317
Capital assets (less accumulated depreciation)					
Books and materials	-	-	-	494,563	494,563
Equipment	-	-	-	159,079	159,079
<b>Total assets</b>	<b>\$ 155,126</b>	<b>\$ 17,798</b>	<b>\$ 172,924</b>	653,642	826,566
<b>Liabilities</b>					
Compensated absences	\$ -	\$ -	\$ -	\$ 14,965	\$ 14,965
Total liabilities	-	-	-	14,965	14,965
<b>Fund Balances/Net Position</b>					
Fund balances:					
Nonspendable - endowment	-	11,000	11,000	(11,000)	-
Restricted - genealogical materials	-	6,798	6,798	(6,798)	-
Unassigned	155,126	-	155,126	(155,126)	-
Total fund balances	<b>155,126</b>	<b>17,798</b>	<b>172,924</b>	(172,924)	-
Total liabilities and fund balances	<b>\$ 155,126</b>	<b>\$ 17,798</b>	<b>\$ 172,924</b>		
Net Position					
Investment in capital assets				653,642	653,642
Restricted					
Genealogical materials					
Expendable				6,798	6,798
Nonexpendable				11,000	11,000
Unrestricted				140,161	140,161
<b>Total net position</b>				<b>\$ 811,601</b>	<b>\$ 811,601</b>

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

**JACKSON-MADISON COUNTY LIBRARY**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES**  
For The Year Ended June 30, 2015

	General Fund	Permanent Fund	Total	Adjustments (Note 3)	Statement of Activities
<b>Revenue</b>					
Jackson-Madison County					
Joint appropriation	\$ 974,582	\$ -	\$ 974,582	\$ -	\$ 974,582
Jackson-Madison County					
Capital appropriation	10,786	-	10,786	-	10,786
Foundation and Friends donations	12,102	-	12,102	-	12,102
Other revenue	73,584	950	74,534	-	74,534
<b>Total revenues before on-behalf payment</b>	<u>1,071,054</u>	<u>950</u>	<u>1,072,004</u>	<u>-</u>	<u>1,072,004</u>
County's on-behalf payment to					
TRCS pension plan	120,432	-	-	-	120,432
<b>Total revenues</b>	<u>1,191,486</u>	<u>950</u>	<u>1,072,004</u>	<u>-</u>	<u>1,192,436</u>
<b>Expenditures/expenses</b>					
Employee benefits	564,820	-	564,820	-	564,820
Circulation materials	157,812	-	157,812	(92,192)	65,620
Building and grounds	164,759	-	164,759	-	164,759
Building renovations, furniture, and equipment	57,737	-	57,737	(12,405)	45,332
General expenditures	137,405	-	137,405	-	137,405
Compensated absences	-	-	-	7,132	7,132
Depreciation	-	-	-	133,168	133,168
<b>Total expenditures/expenses before on-behalf payment</b>	<u>1,082,533</u>	<u>-</u>	<u>1,082,533</u>	<u>35,703</u>	<u>1,118,236</u>
County's on-behalf payment to					
TRCS pension plan	120,432	-	-	-	120,432
<b>Total expenditures/expenses</b>	<u>1,202,965</u>	<u>-</u>	<u>1,082,533</u>	<u>35,703</u>	<u>1,238,668</u>
<b>Net change in fund balance/ net position</b>	<u>(11,479)</u>	<u>950</u>	<u>(10,529)</u>	<u>(35,703)</u>	<u>(46,232)</u>
Fund balance/net position - beginning of the year	166,605	16,848	183,453	674,380	857,833
Fund balance/net position - end of the year	<u>\$ 155,126</u>	<u>\$ 17,798</u>	<u>\$ 172,924</u>	<u>\$ 638,677</u>	<u>\$ 811,601</u>

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

**JACKSON-MADISON COUNTY LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

**NOTE 1 - ORGANIZATION**

The Jackson-Madison County Library (Library) is jointly funded by the City of Jackson, Tennessee, and the County of Madison, Tennessee. There are no other governmental units which are considered component units of the Library.

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

The Library operates under a Board of Trustees form of government and provides the services of a public Library.

The Library's financial statements have been prepared in conformity with accounting principles generally accepted as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant accounting policies.

**A. Reporting Entity**

The funds related to the Library included in this report are controlled by the Library's Board of Trustees.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statements of net position and the statement of activities) report information on all of the operating activities of the library.

The statement of activities demonstrates the degree to which the direct expenses of the 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 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.

A combined format was used to present the government-wide and fund financial information for governmental funds.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. 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 government considers revenues to be available if they are collected

**JACKSON-MADISON COUNTY LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

within thirty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Library reports the following governmental funds:

The general fund is the library's primary operating fund. It accounts for all financial resources of the library, except those required to be accounted for in another fund.

The permanent fund is used to account for principal amounts received and related interest income, which may be used to provide genealogical resources to the patrons of the library. The Library's permanent fund is the Endowment fund.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues.

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity**

***Deposits and Investments***

The Library's cash and cash equivalents are considered to be cash on hand and demand deposits. All interest earned is allocated to the source from which the cash originated.

***Capital Assets***

Capital assets, which include equipment and furniture, are included in the government-wide financial statements. The Library land and building are titled to the City of Jackson, and therefore are not included in the Library's capital assets. Capital assets are defined by the Board as assets with an initial, individual (or group combined) cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Books are grouped by category, and depreciated by group. 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 assets' lives are not capitalized.

Capital assets of the Library are depreciated using the straight line method over the following useful lives:

Books and materials	5 - 20 years
Equipment	3 - 20 years

**JACKSON-MADISON COUNTY LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

***Compensated Absences***

Library employees accumulate vacation days and in the event of termination, employees are compensated for accumulated vacation up to a maximum of 30 days for the first 5 years of service, 36 days for 6 to 10 years of service, 39 days for 11 to 20 years of service, and 42 days for service over 20 years. Library employees may accumulate sick days but there is no compensation for unused sick days upon termination or retirement. However, unused accumulated sick leave may be used for retirement credit with the Tennessee Consolidated Retirement System. For each 20 days of unused sick leave, employees will receive 30 days of credit toward their length of service.

As of June 30, 2015, the liability for accrued vacation was \$14,965. This liability has been recorded in the Statement of Net Position as long-term liabilities. The amount expected to be paid from current resources is not significant.

***Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities. The Library currently has no long-term obligations.

In the fund financial statements, governmental funds show debt payments as current expenditures.

***Net Position and Net Position Flow Assumptions***

In the statement of net position, equity is classified as net position and displayed in the following three components, if applicable:

Net investment in capital assets: Consists of capital assets, net of accumulated depreciation and reduced by the outstanding debt attributable to the acquisition, construction, or improvement of those assets. (This is reported as investment in capital assets, when there is no related debt.)

Restricted: Consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations, and enabling legislation, including self-imposed legal mandates, less any related liabilities.

Unrestricted: All other net position that do not meet the description of the above categories.

Sometimes the Library will 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 government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

***Fund Balance and Fund Balance Flow Assumptions***

In accordance with GASB No. 54, fund balances are classified as follows:

**JACKSON-MADISON COUNTY LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

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

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

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

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

Unassigned: Amounts that are available for any purpose.

When both restricted and unrestricted resources are available for use, it is the Library's policy to use the restricted resources first, then unrestricted resources as they are needed. 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 Trustees or the finance committee has provided otherwise in its commitment or assignment actions.

**NOTE 3 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of Differences between the Governmental Fund Balance Sheet and the Statement of Net Position**

Adjustments to the balance sheet of governmental funds to the statement of net position include the following items:

When capital assets (books, materials, furniture and equipment) that are to be used in governmental activities are purchased, the costs of those assets are reported as expenditures in the governmental funds. However, the statement of net position includes those capital assets among the assets of the Library as a whole.

Cost of capital assets	\$ 2,882,212
Accumulated depreciation	<u>(2,228,570)</u>
	<u>\$ 653,642</u>

**B. Explanation of Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities**

The net change in fund balances of governmental funds differs from the change in net position for governmental activities. The difference arises primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds.

**JACKSON-MADISON COUNTY LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

When capital assets that are to be used in governmental activities are purchased, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decrease by the amount of depreciation expense charged for the year.

Books, materials, and equipment purchased	\$ (104,597)
Depreciation expense	<u>133,168</u>
Difference	<u>\$ 28,571</u>

**NOTE 4 – BUDGETS AND BUDGETARY ACCOUNTING**

The Library's annual budget is a management tool that assists its users in analyzing financial activity for its financial fiscal year ending June 30. Their primary funding source is appropriations from the local government, which are for twelve-month periods that coincide with the fiscal year. Due to the Library's dependency on local budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding.

During the year ended June 30, 2015, donations received for equipment purchases and other Library's improvement expenditures were not budgeted. Since these amounts were not recurring and because they would not spend more than what was received, the Library did not budget for these items. Revenues and expenditures payments made by the Madison County on behalf of the Library for pension expense were not budgeted.

**NOTE 5 – DEPOSITS**

***Custodial Credit Risk***

The Library's policies limit deposits and investments to those instruments allowed by applicable state laws and described in Note 2. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits.

The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the Library's agent in the Library's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the Library to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2015, bank deposits were not in excess of collateralized or insured amounts.

**NOTE 6 - ENDOWMENT FUND - PERMANENT FUND**

**JACKSON-MADISON COUNTY LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

The Library has received contributions that have been restricted by the donor. The principal is required to be invested. Only the interest earned can be used by the Library and it must be spent only on genealogical materials. This year, the funds were spent on genealogical books.

Principal contributions received	\$ 11,000
Total interest earned since contribution less materials purchased	<u>6,798</u>
Total contributions	<u>\$ 17,798</u>

**NOTE 7 - RISK MANAGEMENT**

The Library is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability, auto liability, errors and omissions and auto physical damage coverage. The Library joined the Tennessee Municipal League Risk Pool (Pool), which is a public entity risk pool established in 1979 by the Tennessee Municipal League. The pool is a cooperative risk sharing arrangement that works in many ways like a traditional insurer. The Library pays annual premiums to the Pool for its general liability, auto liability, real and personal property damage, workman's compensation and errors and omissions policies. The Pool provides the specified coverage and pays all claims from its member premiums charged or through its reinsurance policies. The Library's premiums are calculated based on its prior claims history.

It is the policy of the Library to purchase commercial insurance for the risks of employee dishonesty and excess liability. Settled claims have not exceeded this commercial coverage or the coverage provided by the Pool in any of the past three years. There have been no significant reductions in coverage.

**NOTE 8 – PENSION FOOTNOTE DISCLOSURE**

***Plan Description- TCRS***

Employees of the Library are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Library participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

**JACKSON-MADISON COUNTY LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

The Library withdrew from TCRS effective November 1, 2006. Employees hired after the date of withdrawal are not eligible to participate in TCRS. Employees active as of the withdrawal date will continue to accrue salary or service credit in TCRS.

The Madison County agreed to take responsibility for the pension liability associated with the Library's pension plan administered by TCRS. Therefore, the pension liability associated with the Library's pension plan is recorded on the Madison County's financial statements, and not on the Library's financial statements.

During the fiscal year ended June 30, 2015, the County contributed a total of \$120,432 to the Library's pension plan.

***Deferred Compensation Plan***

The Library's employees are offered the same deferred compensation plan as the plan offered to the Madison County's employees. All employees are offered a deferred compensation plan established pursuant to IRS Section 457 and also, employees hired on or after July 1, 2012 are offered a deferred compensation plan established pursuant to IRC Sections 401(a). The Library will match each eligible participant's 457(b) salary deferrals dollar-for-dollar on the first one percent of compensation and 50 percent on the next six percent of compensation. This match will be deposited into a 401(a) account.

During the fiscal year ended June 30, 2015, the Library contributed a total of \$2,801 to the deferred compensation plan.

**NOTE 9 - CAPITAL ASSETS**

Capital assets acquired in the General Fund are expensed when purchased. The assets on the government-wide financial statements include only those that have met the Board of Trustee's capitalization policy. The City of Jackson and Madison County budget for Capital Outlay by the Library, and pays for the items so budgeted. These assets are included in the Capital Asset account, if they meet the criteria. The Library land and building are titled to the City of Jackson and, therefore, are not in the Library's capital asset account. Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Capital assets, being depreciated:				
Books and materials	\$ 2,377,548	\$ 92,192	\$(122,237)	\$ 2,347,503
Equipment	<u>522,304</u>	<u>12,405</u>	<u>-</u>	<u>534,709</u>
Total capital assets	<u>2,899,852</u>	<u>104,597</u>	<u>(122,237)</u>	<u>2,882,212</u>
Less accumulated depreciation for:				
Books and materials	1,871,584	103,592	(122,237)	1,852,939
Equipment	<u>346,055</u>	<u>29,576</u>	<u>-</u>	<u>375,631</u>
Total depreciation	<u>2,217,639</u>	<u>133,168</u>	<u>(122,237)</u>	<u>2,228,570</u>
Governmental capital assets, net	<u>\$ 682,213</u>	<u>\$ (28,571)</u>	<u>\$ -</u>	<u>\$ 653,642</u>

**JACKSON-MADISON COUNTY LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

**NOTE 10 – JACKSON-MADISON COUNTY LIBRARY FOUNDATION**

The purpose of the Jackson-Madison County Library Foundation (Foundation) is to benefit the Library; however, the Foundation has the following factors that distinguish it from being a component unit of the Library: separate corporate powers, board of directors independent of Library's management, and separate financial accountability. In addition, the Foundation is a legally separate, tax exempt entity with their own 501(c)(3) status. The Foundation raises funds to be used at the discretion of the board members and the Library does not have access to these funds. The Library may apply for a grant from the Foundation; this has a process where the Library Trustees fill out a grant request form and submit it to the Foundation's Board of Directors. This grant request is considered along with other non-profit entity requests and funding amounts are determined.

**NOTE 11 – OPERATING LEASE**

During the fiscal year ended June 30, 2014, the Library entered into an 84 month lease agreement for the rental of space for the North Branch location starting at \$3,529 a month during the first year and gradually increasing each year. Also during the year ended June 30, 2014, the Library entered into 3 different copier leases with Xerox. The first lease is for one copier for 60 months at \$298 a month, the second lease is for two copiers for 36 months at \$326 a month, and the third lease is for one copier for 60 months at \$141 a month.

The future minimum lease payments are as follows:

<u>Year Ending June 30,</u>		<u>Annual Payments</u>
2016	\$	53,770
2017		51,198
2018		52,575
2019		48,731
2020		50,185
2021		<u>12,638</u>
Total minimum future payments	\$	<u>269,097</u>

For the year ended June 30, 2015, the Library paid \$9,167 for the copier lease and \$55,605 for the lease of the North Branch location.

**SUPPLEMENTARY AND OTHER INFORMATION**

**JACKSON-MADISON COUNTY LIBRARY  
GENERAL FUND  
DETAILED SCHEDULE OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
For The Year Ended June 30, 2015**

**Revenues**

Jackson-Madison County Joint Appropriations	\$ 974,582
Jackson-Madison County Capital Appropriations	10,786
Jackson-Madison County: Foundation	9,017
Jackson-Madison County: Friends	3,085
Copy machine revenue	13,168
Fines and penalties	24,525
E-Rate Reimbursement	11,711
Grants	11,854
Gifts and Donations	11,075
Computer use and rental fees	400
Sale items	114
Miscellaneous	737
Total revenues before on-behalf payment	<u>1,071,054</u>
County's on-behalf payment to TRCS pension plan	<u>120,432</u>
Total revenues	<u>1,191,486</u>

**Expenditures**

Employee benefits:	
Salaries	458,657
Payroll taxes	33,077
Payroll Admin. Cost	17,129
Insurance	53,156
County retirement plan	2,801
Circulation materials	157,812
Building and grounds:	
Utilities	65,870
Rent expense for North Branch location	55,605
Repairs and maintenance	43,284
Building renovations, furniture, and equipment	57,737
General expenditures:	
Fees	986
Contracted services	41,160
Data processing	19,195
Liability insurance	8,540
Miscellaneous	10,272
Operating lease payments	23,528
Supplies	26,744
Travel	6,980
Total expenditures before on-behalf payment	<u>1,082,533</u>
County's on-behalf payment to TRCS pension plan	<u>120,432</u>
Total expenditures	<u>1,202,965</u>
<b>Excess (deficiency) of revenue over (under) expenditures</b>	<b>(11,479)</b>
Fund balance - beginning of the year	<u>166,605</u>
Fund balance - end of the year	<u>\$ 155,126</u>

*See independent auditor's report.*

**JACKSON-MADISON COUNTY LIBRARY**  
**STATEMENT OF BUDGETARY COMPARISON-MAJOR FUND**  
**GENERAL FUND**

For The Year Ended June 30, 2015

	Budget Original	Budget Amended	Actual	Variance Over (Under)
<b>Revenue</b>				
Jackson-Madison County Joint appropriation	\$ 974,582	\$ 974,582	\$ 974,582	\$ -
Jackson-Madison County Capital appropriations	11,500	10,786	10,786	-
Foundation and Friends donations	-	5,847	12,102	6,255
Other revenue	37,650	68,041	73,584	5,543
Total revenues before on-behalf payment	1,023,732	1,059,256	1,071,054	11,798
County's on-behalf payment to TRCS pension plan	-	-	120,432	120,432
Total revenue	1,023,732	1,059,256	1,191,486	132,230
<b>Expenditures</b>				
Employee benefits	551,500	572,599	564,820	(7,779)
Circulation materials	160,596	160,596	157,812	(2,784)
Building and grounds	178,003	167,771	164,759	(3,012)
Building renovations, furniture, and equipment	35,500	56,062	57,737	1,675
General expenditures	135,633	119,783	137,405	17,622
Total expenditures before on-behalf payment	1,061,232	1,076,811	1,082,533	5,722
County's on-behalf payment to TRCS pension plan	-	-	120,432	120,432
Total expenditures	1,061,232	1,076,811	1,202,965	126,154
<b>Excess (deficiency) of revenue   over (under) expenditures</b>	<b>\$ (37,500)</b>	<b>\$ (17,555)</b>	<b>(11,479)</b>	<b>\$ 6,076</b>
Fund balance - beginning of the year			166,605	
Fund balance - end of the year			\$ 155,126	

*See independent auditor's report.*

**JACKSON-MADISON COUNTY LIBRARY  
SCHEDULE OF OFFICIALS**

June 30, 2015

<u>Members of Board</u>	<u>Amount of Surety Bond</u>
Ms. Terica Smith, Chair	
Dr. Charles Baldwin, Vice-Chair	
Mr. Glenn Vaulx, Sr., Treasurer	
Dr. Amy Dietrich	
Ms. Elaine Christian	
Ms. Barbara Johnson	
Mr. Greg Jordan	

Director

Ms. Dinah Harris	\$10,000*
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\*All employees are covered by a \$10,000 blanket surety bond.

*See independent auditor's report.*

**JACKSON-MADISON COUNTY LIBRARY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Fiscal Year Then Ended June 30, 2015

	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Expenditures/ Amount Earned/ Amount Issued</u>
Institute of Museum and Library Services			
Pass-through the Tennessee Office of the Secretary of State, Tennessee State Library and Archives:			
Grants to State	45.310	N/A	\$ <u>7,404</u>
<b>Total Expenditures of Federal Awards</b>			<b>\$ <u>7,404</u></b>

All expenditures reported are under the modified accrual basis of accounting whereby revenues are recorded when measurable and available and expenditures are recorded when the liability is incurred.

**JACKSON-MADISON COUNTY LIBRARY**  
**SCHEDULE OF STATE FINANCIAL ASSISTANCE**  
For the Fiscal Year Then Ended June 30, 2015

	Contract Number	Expenditures/ Amount Earned/ Amount Issued
<b>TENNESSEE DEPARTMENT OF STATE, STATE LIBRARY AND ARCHIVES</b>		
Archives Development Grant	N/A	\$ 1,500
Technology Grant	N/A	2,950
<b>Total Expenditures of State Awards</b>		<b>\$ 4,450</b>

*See independent auditor's report.*

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**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  
Jackson-Madison County Library  
Jackson, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund information of the Jackson-Madison County Library, Jackson, Tennessee (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 December 11, 2015.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **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*.

We noted other matters involving the internal control and its operation that we reported to management of the Library in a separate letter dated December 11, 2015.

## **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.

*Alexander Thompson Arnold PLLC*

Jackson, Tennessee  
December 11, 2015

**JACKSON-MADISON COUNTY LIBRARY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
June 30, 2015

**CURRENT YEAR FINDINGS**

None reported.

**JACKSON-MADISON COUNTY LIBRARY**  
**SCHEDULE OF PRIOR YEAR'S FINDINGS AND RESPONSES**  
June 30, 2015

**PRIOR YEAR FINDINGS**

None reported.