

**OBION COUNTY PUBLIC LIBRARY**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**JUNE 30, 2015**

# OBION COUNTY PUBLIC LIBRARY

June 30, 2015

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**OBION COUNTY PUBLIC LIBRARY**

June 30, 2015

**BOARD OF TRUSTEES**

Brenda Baker, chairman  
Wayne Bailey, vice-chairman  
Ellarine Moses, secretary  
David Searcy, treasurer  
Mary Ann Hime  
Mike Cox  
Bill Latimer

**ADMINISTRATIVE STAFF**

Michelle Barnes, director  
Danielle Morris, administrative assistant

## **FINANCIAL SECTION**

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American Institute of Certified Public Accountants  
AICPA Center for Public Company Audit Firms  
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Certified Public Accountants  
**Offices in Tennessee & Kentucky**

624 East Reelfoot Ave.  
Union City, TN 38261

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## Independent Auditor's Report

Board of Trustees  
Obion County Public Library  
Union City, Tennessee

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Obion County Public 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 each major fund of the Obion 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.

### ***Change in Accounting Principle***

As discussed in Note 1 to the financial statements, in 2015 the Obion County Public Library adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the schedules relating to pensions on page 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Obion County Public Library's basic financial statements. The Introductory Section, Schedules of Budgetary Comparisons for the General Fund and Special Revenue Fund and the Schedule of Expenditures of Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedules of Budgetary Comparisons for the General Fund and Special Revenue Fund and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules of Budgetary Comparisons for the General Fund and Special Revenue Fund and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2015, on our consideration of the Obion 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 Obion County Public Library's internal control over financial reporting and compliance.

*Alexander Thompson Arnold PLLC*

Union City, Tennessee  
December 21, 2015

## **BASIC FINANCIAL STATEMENTS**

**OBION COUNTY PUBLIC LIBRARY**  
**STATEMENT OF NET POSITION**  
June 30, 2015

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 148,266
Restricted investment	5,000
Accrued interest receivable	18
Land	551,934
Other capital assets, net of accumulated depreciation	2,687,954
Net pension asset	<u>12,161</u>
Total assets	<u>3,405,333</u>
 <b>Deferred Outflows of Resources</b>	
Deferred outflows related to pensions	<u>15,544</u>
 <b>Liabilities</b>	
Accounts payable	5,526
Payroll taxes payable	<u>253</u>
Total liabilities	<u>5,779</u>
 <b>Deferred Inflows of Resources</b>	
Deferred inflows related to pensions	<u>43,106</u>
 <b>Net Position</b>	
Investment in capital assets	3,239,888
Restricted for specific purposes	5,000
Restricted for pensions	12,161
Unrestricted	<u>114,943</u>
<b>Total net position</b>	<b><u>\$ 3,371,992</u></b>

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

**OBION COUNTY PUBLIC LIBRARY**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2015

Expenses		
Library operations		\$ <u>758,267</u>
Program revenues:		
Charges for services		33,069
Operating grants and contributions		520,383
Capital grants and contributions		<u>293,161</u>
Total program revenues		<u>846,613</u>
<b>Net program income</b>		<b><u>88,346</u></b>
General revenues:		
Interest income		2,637
Pension income		1,270
Miscellaneous income		<u>272</u>
Total general revenues		<u>4,179</u>
<b>Change in net position</b>		<b><u>92,525</u></b>
Net position - July 1, 2014		3,311,683
Restatement for adoption of pension standards		<u>(32,216)</u>
Net position - July 1, 2014, as restated		<u>3,279,467</u>
Net position - June 30, 2015		<b><u>\$ 3,371,992</u></b>

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

**OBION COUNTY PUBLIC LIBRARY  
GOVERNMENTAL FUNDS BALANCE SHEET**  
June 30, 2015

	MAJOR		
	General Fund	Special Revenue Fund	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 114,893	\$ 33,373	\$ 148,266
Restricted investment	-	5,000	5,000
Accrued interest receivable	-	18	18
	<b>\$ 114,893</b>	<b>\$ 38,391</b>	<b>\$ 153,284</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 5,526	\$ -	\$ 5,526
Payroll taxes payable	253	-	253
Total liabilities	5,779	-	5,779
<b>Fund Balances</b>			
Restricted for specific purpose	-	5,000	5,000
Assigned	-	33,391	33,391
Unassigned	109,114	-	109,114
Total fund balances	109,114	38,391	147,505
	<b>\$ 114,893</b>	<b>\$ 38,391</b>	<b>\$ 153,284</b>

Fund Balance Reconciliation

Fund balance of governmental funds	\$ 147,505
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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.	3,239,888
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Assets, deferred inflows and deferred outflows related to pensions do not require the use of current financial resources and, therefore, are not reported in the funds.	(15,401)
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Net position of governmental activities	<u>\$ 3,371,992</u>
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*The accompanying notes are an integral part of these financial statements.*

**OBION COUNTY PUBLIC LIBRARY**  
**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
For the Year Ended June 30, 2015

	MAJOR		Total
	General Fund	Special Revenue Fund	
<b>Revenues</b>			
Charges for services	\$ 11,384	\$ 21,685	\$ 33,069
City appropriation	173,915	-	173,915
County appropriation	346,468	-	346,468
Grants	-	19,408	19,408
Interest income	2,559	78	2,637
Miscellaneous income	-	272	272
Total revenues	534,326	41,443	575,769
<b>Expenditures</b>			
Current:			
Salaries, taxes and benefits	421,979	-	421,979
Building occupancy and maintenance	75,978	-	75,978
Library materials	18,407	23,604	42,011
Capital outlay:			
Library books	25,418	3,447	28,865
Other	-	22,717	22,717
Total expenditures	541,782	49,768	591,550
<b>Net change in fund balances</b>	<b>(7,456)</b>	<b>(8,325)</b>	<b>(15,781)</b>
Fund balances - July 1, 2014	116,570	46,716	163,286
Fund balances - June 30, 2015	\$ 109,114	\$ 38,391	\$ 147,505

Reconciliation to Statement of Activities

Net change in fund balances of governmental funds (above) \$ (15,781)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period. (182,262)

Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources. 273,753

Pension contributions are reported as expenditures in the governmental funds. However, pension expense in the statement of activities is primarily the result of changes in the components of the net pension liability over the current and future periods. 16,815

Change in net position of governmental activities \$ 92,525

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

**OBION COUNTY PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Obion County Public Library provides the services of a public library and is jointly funded by the City of Union City and Obion County, Tennessee, governments. The Library's annual apportionment is split 1/3 from Union City and 2/3 from Obion County. The State has determined that the Library should be reported as a joint venture without equity interest in Obion County's financial statements. The bylaws state that the Obion County Public Library shall be governed by a board of trustees composed of seven members, all of whom reside in Obion County. Four of the seven members will live outside the city limits of Union City and three of the seven members shall live inside the city limits. Obion County has control over budgeting and financing the joint venture only to the extent of representation by the four board members appointed. This separately-issued report includes only the funds relevant to the operation of the Obion County Public Library.

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

The Library's financial statements have been prepared in conformity with accounting principles generally accepted for governmental entities as set forth in the pronouncements of the *Governmental Accounting Standards Board* (GASB). 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 flow. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. 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.

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. The Library has determined a period of availability of 60 days after the end of the current fiscal period. Grant funds, where expenditure is the prime factor for determining eligibility, are recognized as revenue when the expenditure is made. Grant proceeds received after the 60-day period of availability are recorded as deferred revenue. Expenditures under the modified accrual basis of accounting are recorded when the related liability is incurred.

The Library reports the following governmental funds:

The General Fund is the Library's primary operating fund and accounts for all financial resources applicable to the general operation of the Library, except those required to be accounted for in another fund. Revenues are derived primarily from appropriations from the City of Union City and Obion County, Tennessee.

**OBION COUNTY PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting due to legal or regulatory provisions or administrative action.

**C. Impact of Recently Issued Accounting Pronouncements**

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Statement 68 was effective for fiscal years beginning after June 15, 2014. This statement establishes a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. Statement 68 details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. The objective of Statement 68 is to improve accounting and financial reporting by state and local governments for pensions. These pension standards include significant changes to how governmental employers will report liabilities related to pension obligations. The adoption of Statement 68 resulted in restatements to beginning balances related to pensions. Net pension liability was increased by \$47,377 and deferred outflows of resources was increased by \$15,161. The net effect decreased beginning net position by \$32,216.

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Balance/Net Position**

**Deposits and Investments**

The Library's cash and cash equivalents are considered to be cash on hand and demand deposits at various financial institutions. 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, and the state pooled investment fund. Investments currently consist of certificates of deposit with original maturities greater than three months. All interest earned is allocated to the source from which the cash originated.

**Capital Assets**

Capital assets are included in the government-wide financial statements. Capital assets are defined by the Library as assets with an estimated useful life in excess of three 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 expensed as incurred. Capital assets of the Library are depreciated using the straight line method over the estimated useful lives of each group of assets.

**Deferred Inflows and Outflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditures/expense) until then. The Library has one item related to pensions that qualifies for reporting in this category as of June 30, 2015. See the pension disclosure for details concerning this item.

**OBION COUNTY PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Library has various items related to pensions that qualify for reporting in this category. See the pension disclosure for the items that comprise this financial statement element.

**Pensions**

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

**Compensated Absences**

The Library's obligation for employees' rights to receive compensation for future absences, such as vacation and sick days, was not material as of June 30, 2015, and thus, is not recognized in the accompanying financial statements. The Library permits the accumulation of a maximum of 45 days sick leave for employees; however, unused sick days are not paid upon termination. Accordingly, sick pay is charged to expenditures when taken.

**Fund Balance/Net Position**

In the governmental fund financial statements, fund balances are classified as follows:

- Nondspendable – amounts that cannot be spent either because they are in a nondspendable 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 limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions.
- Committed – amounts that can be used only for specific purposes determined by a formal action by the Board of Trustees and City Council or County Commission ordinance or resolution; reversed by same formal action.
- Assigned – amounts that are designated by the Board for a particular purpose but are not spendable until there is a majority vote approval by the Board.
- Unassigned – all amounts in the general fund not included in other spendable classifications.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Library's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Library's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances – before using unassigned fund balances.

As of June 30, 2015, the Library had restricted cash of \$5,000 that the donor specified be used to generate income for the purchase of genealogy books only.

**OBION COUNTY PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Reconciliation of the Governmental Fund Balance Sheet and the Statement of Net Position**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Details of the \$3,239,888 difference reported in the reconciliation on the Governmental Funds Balance Sheet were as follows:

Governmental fund capital assets	\$ 7,184,793
Less: accumulated depreciation	<u>(3,944,905)</u>
Net adjustment	<u>\$ 3,239,888</u>

The reconciliation also includes an amount for pension-related activities that do not require the use of current financial resources and, therefore, not reported in the funds. Details of this \$15,401 difference are as follows:

Net pension asset	\$ 12,161
Deferred outflows related to pensions	15,544
Deferred inflows related to pensions	<u>(43,106)</u>
Net adjustment	<u>\$ (15,401)</u>

**B. Reconciliation of the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities**

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Details of the \$182,262 difference reported in the reconciliation were as follows:

Capital outlay	\$ 51,582
Depreciation expense	<u>(233,844)</u>
Net adjustment	<u>\$ (182,262)</u>

Pension contributions are reported as expenditures in the governmental funds, but pension income/expense reported at the government-wide level is calculated based on changes in the components of net pension asset/liability over current and future periods. The difference of \$16,815 was calculated as follows:

Pension contributions	\$ 15,544
Pension income	<u>1,269</u>
Net adjustment	<u>\$ 16,815</u>

**NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The Library adopts an annual budget as a management tool for the General Fund and the Special Revenue Fund prepared in accordance with the basis of accounting used by those funds. The budget is approved by the Board of Trustees and presented to the Union City City Council and the Obion County Commission. Any revisions that alter total expenditures must be approved by the same process. Obion

**OBION COUNTY PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

County has control over budgeting only to the extent of representation by the four board members appointed by the County.

**NOTE 4 – DETAILED NOTES ON ACCOUNTS**

**A. Deposits**

Custodial Credit Risk – The Library’s policies limit deposits and investments to those instruments allowed by applicable state laws. 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. As of June 30, 2015, the Library’s bank deposits were fully insured or collateralized.

**B. Capital Assets**

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 551,934	\$ -	\$ -	\$ 551,934
Capital assets, being depreciated				
Buildings	4,227,003	268,330	-	4,495,333
Equipment, furniture and fixtures	834,081	2,424	-	836,505
Park facilities and furniture	377,887	-	-	377,887
Data processing equipment	185,318	20,293	-	205,611
Library books	683,235	34,288	-	717,523
Total	<u>6,307,524</u>	<u>325,335</u>	<u>-</u>	<u>6,632,859</u>
Less accumulated depreciation for:				
Buildings	1,835,601	167,943	-	1,835,601
Equipment, furniture and fixtures	818,331	4,110	-	822,357
Park facilities and furniture	374,142	3,231	-	377,373
Data processing equipment	121,346	21,441	-	142,787
Library books	561,641	37,121	-	598,762
	<u>3,711,061</u>	<u>233,844</u>	<u>-</u>	<u>3,944,905</u>
Net capital assets being depreciated	2,596,463	91,491	-	2,596,463
Governmental activities capital assets – net	<u>\$ 3,148,397</u>	<u>\$ 91,491</u>	<u>\$ -</u>	<u>\$ 3,239,888</u>

**OBION COUNTY PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

**NOTE 5 – OTHER INFORMATION**

**A. Pension Plan**

*Plan description.* Employees of Obion 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 Library employees comprise 2.31 percent of the plan based on census data. 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 all employer pension plans in 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 five 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 ten percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

*Contributions.* Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. Obion County 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 Obion County Public Library were \$15,544 based on a rate of 6.24 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Obion County's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

*Pension liability (asset).* The net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. Obion County Public Library's proportion of the net pension liability was based on census data of the Library's employees relative to all employees covered under Obion County's plan. At the June 30, 2014, measurement date, Obion County Public Library's proportion was 2.31 percent.

*Pension income.* For the year ended June 30, 2015, Obion County Public Library recognized pension income of \$1,269.

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2015, Obion County Public Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**OBION COUNTY PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 6,287
Net difference between projected and actual earnings on pension plan investments	-	36,819
Contributions subsequent to the measurement date of June 30, 2014	15,544	<i>(not applicable)</i>
Total	\$ 15,544	\$ 43,106

The amount shown above for contributions subsequent to the measurement date will be recognized as a reduction (increase) in net pension liability (asset) in the following measurement period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2016	\$(10,777)
2017	(10,777)
2018	(10,776)
2019	(10,776)

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

*Actuarial assumptions.* The total pension liability in the 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

Mortality rates were based on actual experience from the June 30, 2012, actuarial experience study and included some adjustment for 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

**OBION COUNTY PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

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:

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

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

*Discount rate.* The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Obion County 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.

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Obion County Public Library's proportionate share of net pension liability (asset)	<u>\$ 5,118</u>	<u>\$ (12,161)</u>	<u>\$ (65,811)</u>

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

**B. Risk Management**

The Library purchases commercial insurance for all significant risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three years.

**OBION COUNTY PUBLIC LIBRARY  
REQUIRED SUPPLEMENTARY INFORMATION**  
For the Year Ended June 30, 2015

**Schedule of Obion County Public Library's Proportionate Share  
of the Net Pension Asset  
Public Employee Pension Plan of TCRS**  
Fiscal Years Ending June 30,

	2014
Obion County Public Library's proportion of the net pension asset	(2.31%)
Obion County Public Library's proportionate share of the net pension asset	\$ (12,161)
Obion County Public Library's covered employee payroll	\$ 233,318
Obion County Public Library's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	(5.21%)
Plan fiduciary net position as a percentage of the total pension liability	102.10%

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

**Schedule of Obion County Public Library's Contributions  
Public Employee Pension Plan of TCRS**  
Fiscal Years Ended June 30,

	2014	2015
Actuarially determined contributions (ADC)	\$ 15,161	\$ 15,544
Contributions in relation to the actuarially determined contribution	15,161	15,544
Contribution deficiency (excess)	\$ -	\$ -
Obion County Public Library's covered-employee payroll	\$ 233,318	\$ 251,822
Contributions as a percentage of Obion County Nursing Home's covered-employee payroll	6.50%	6.17%

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

## **SUPPLEMENTARY INFORMATION SECTION**

**OBION COUNTY PUBLIC LIBRARY**  
**SCHEDULE OF BUDGETARY COMPARISON - GENERAL FUND**  
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Over (Under)
<b>Revenues</b>				
City appropriation	\$ 173,015	\$ 173,015	\$ 173,915	\$ 900
County appropriation	346,022	346,022	346,468	446
Erate revenue	9,500	9,500	11,384	1,884
Interest income	3,700	3,700	2,559	(1,141)
Other income	56,473	56,473	-	(56,473)
Total revenues	<u>588,710</u>	<u>588,710</u>	<u>534,326</u>	<u>(54,384)</u>
<b>Expenditures</b>				
Salary - library director	55,080	55,080	55,267	187
Salary - assistant library director	37,740	37,740	37,917	177
Salaries - library assistants	166,284	166,284	168,247	1,963
Salaries - library aides	69,938	69,938	68,507	(1,431)
Payroll taxes	26,082	26,082	26,656	574
Employee retirement benefits	14,417	14,417	15,544	1,127
Employee health insurance	30,000	30,000	33,035	3,035
Accounting services	1,000	1,000	871	(129)
Audit services	4,200	4,200	4,200	-
Telephone and other communications expense	11,346	11,346	11,301	(45)
Repair and maintenance - buildings	5,000	5,000	4,081	(919)
Repair and maintenance - equipment	11,000	11,000	9,942	(1,058)
Postage	778	778	778	-
Travel	2,000	2,000	2,028	28
Custodial supplies	4,250	4,250	4,322	72
Data processing supplies	14,600	14,600	13,346	(1,254)
Utilities	42,040	42,040	41,332	(708)
Library books	32,500	32,500	25,418	(7,082)
Office supplies	9,000	9,000	9,707	707
Periodicals	4,700	4,700	4,283	(417)
Insurance	5,000	5,000	5,000	-
TSLA grant expense	56,473	56,473	-	(56,473)
Miscellaneous	25	25	-	(25)
Total expenditures	<u>603,453</u>	<u>603,453</u>	<u>541,782</u>	<u>(61,671)</u>
<b>Net change in fund balance</b>	<b>(14,743)</b>	<b>(14,743)</b>	<b>(7,456)</b>	<b>7,287</b>
Fund balance - July 1, 2014	<u>116,570</u>	<u>116,570</u>	<u>116,570</u>	<u>-</u>
Fund balance - June 30, 2015	<u>\$ 101,827</u>	<u>\$ 101,827</u>	<u>\$ 109,114</u>	<u>\$ 7,287</u>

*See independent auditor's report*

**OBION COUNTY PUBLIC LIBRARY**  
**SCHEDULE OF BUDGETARY COMPARISON - SPECIAL REVENUE FUND**  
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Over (Under)
<b>Revenues</b>				
Fines	\$ 8,000	\$ 8,000	\$ 5,962	\$ (2,038)
Lost books	1,000	1,000	770	(230)
Library cards	1,900	1,900	1,719	(181)
Library fees	4,000	4,000	3,224	(776)
Copy machine income	2,000	2,000	1,194	(806)
Copy fees	5,400	5,400	7,125	1,725
Geneology fees	125	125	154	29
Crafts	-	-	337	337
Meeting room	-	-	1,200	1,200
Grants	59,973	59,973	19,408	(40,565)
Interest	50	50	78	28
Other	250	250	272	22
Total revenues	<u>82,698</u>	<u>82,698</u>	<u>41,443</u>	<u>(41,255)</u>
<b>Expenditures</b>				
Advertising	1,000	1,000	1,047	47
Dues and memberships	2,000	2,000	1,701	(299)
Lease payments	1,500	1,500	3,015	1,515
Printing and stationery	500	500	249	(251)
Other contract services	1,000	1,000	260	(740)
Instructional supplies	475	475	222	(253)
Office supplies	2,750	2,750	2,430	(320)
Audio-visual materials	4,000	4,000	3,447	(553)
Special programs	2,000	2,000	466	(1,534)
Miscellaneous	1,000	1,000	235	(765)
Data processing supplies	5,000	5,000	20,293	15,293
Library books	4,000	4,000	1,734	(2,266)
Furniture and fixtures	1,000	1,000	2,424	1,424
Obion County Public Library Enrichment Foundation	12,245	12,245	12,245	-
Total expenditures	<u>38,470</u>	<u>38,470</u>	<u>49,768</u>	<u>11,298</u>
<b>Excess revenue over (under) expenditures</b>	<b>44,228</b>	<b>44,228</b>	<b>(8,325)</b>	<b>(52,553)</b>
Other financing uses				
Transfers out	<u>-</u>	<u>(56,473)</u>	<u>-</u>	<u>56,473</u>
<b>Net change in fund balance</b>	<b>44,228</b>	<b>(12,245)</b>	<b>(8,325)</b>	<b>3,920</b>
Fund balance - July 1, 2014	<u>46,716</u>	<u>46,716</u>	<u>46,716</u>	<u>-</u>
Fund balance - June 30, 2015	<u>\$ 90,944</u>	<u>\$ 34,471</u>	<u>\$ 38,391</u>	<u>\$ 3,920</u>

*See independent auditor's report*

**OBION COUNTY PUBLIC LIBRARY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2015

<b>Federal Grantor/ Pass-through Agency/ Program Name</b>	<b>CFDA Number</b>	<b>Pass-through Agency Grant Number</b>	<b>Disbursements</b>
Institute of Museum and Library Services/ Tennessee State Library and Archives/ Library Services and Technology Act Technology Grant	45.310	1272	<u>\$ 19,408</u>

*See independent auditor's report*

## **INTERNAL CONTROL AND COMPLIANCE SECTION**

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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  
Obion County Public Library  
Union City, 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 each major fund of the Obion County Public 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 21, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Obion 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 Obion County Public 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Obion 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*.

## **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*

Union City, Tennessee  
December 21, 2015

**OBION COUNTY PUBLIC LIBRARY**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
June 30, 2015

Financial Statement Findings

<b>Finding No.</b>	<b>Description</b>	<b>Status</b>
2013-001	Purchase Orders Not in Compliance with Disbursements Policy	corrected