

**Stokes Brown Public Library  
(A Joint Venture Between the City of Springfield,  
Tennessee and Robertson County, Tennessee)  
Annual Financial Report  
June 30, 2018**

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(A Joint Venture)  
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**Stokes Brown Public Library  
(A Joint Venture)  
Board of Trustees and Management (Unaudited)  
June 30, 2018**

Board of Trustees

Corinne Balthrop, Chair  
Sherry Eden, Vice Chair  
Karen Shoemaker, Treasurer  
Susan Marks, Secretary  
Chris Causey  
Anita Fentress  
Bobby Trotter  
Jerome Ellis  
Jane Ligon

Management

Chris Hall, Library Director

# BLANKENSHIP CPA GROUP, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Stokes Brown Public Library

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

We have audited the accompanying financial statements of the governmental activities, the general fund, and the aggregate discretely presented component units of Stokes Brown Public Library (the Library) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

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

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

### ***Auditors' Responsibility***

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund, and the aggregate discretely presented component units of the Library as of June 30, 2018, and the respective changes in financial position and budgetary comparison for the general fund 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 listed on pages 5 - 9, and the schedules of changes in net pension liability and related ratios based on participation in the public employee pension plan of the Tennessee Consolidated Retirement System (TCRS) and the schedules of contributions based on participation in the public employee pension plan of the TCRS on pages 28 - 29 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 an opinion on the financial statements that collectively comprise the Library's basic financial statements. The introductory section and supplementary information on page 30 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information on page 30 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 supplemental information on page 30 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2018 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 solely 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 the effectiveness of the Library's 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.

*Blanchenship CPA Group, PLLC*

November 7, 2018

**STOKES BROWN PUBLIC LIBRARY**  
**(A Joint Venture)**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2018**

Description of the Financial Statements

Our discussion and analysis of the Stokes Brown Public Library's (the "Library") financial performance provides an overview of the Library's financial activities for the fiscal year ended June 30, 2018. This should be read in conjunction with the Library's financial statements.

Financial Highlights

- Library support from both Robertson County and the City of Springfield increased by approximately \$58 thousand each compared to the prior year.
- The Library's net position decreased by \$64 thousand for the year compared to \$109 thousand last year.
- The expenses for the year were \$989 thousand compared to \$884 thousand in the prior year.

Using this Report

This report consists of the following financial statements: the statement of net position, statement of activities and the fund financial statements. The statement of net position and statement of activities provide information about the Library's finances as a whole, whereas the fund financial statements provide more detail information about the Library's operations.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business. The Statement of Net Position presents information on all of the Library's assets, deferred outflows, liabilities and deferred inflows, with the net difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the overall financial position of the Library. The Statement of Activities presents information showing how the Library's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Also included in the government-wide statements are two component units. The Stokes Brown Library Public Library Foundation ("the Foundation") and the Friends of Gorham-MacBane Public Library (the Friends of the Library) are both separate, tax exempt entities that support the Library.

Fund Financial Statements

The Library has one fund which is its General Fund. This fund focuses on cash and other assets that can be easily converted to cash. The fund statements include a reconciliation of the difference between the fund statements and the government-wide statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found after the basic financial statements in this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Library's progress in funding its obligation to provide pension benefits to its employees.

**STOKES BROWN PUBLIC LIBRARY**  
**(A Joint Venture)**  
**Management's Discussion and Analysis (Unaudited) - Continued**  
**June 30, 2018**

Condensed Comparative Data

**TABLE A-1**  
**Condensed Statement of Net Position Excluding Component Units**  
**(In thousands of dollars)**

	June 30, 2018	June 30, 2017	Dollar Change	Percent Change
Current and other assets	\$ 271	\$ 208	\$ 63	30.3%
Capital assets	4,581	4,691	(110)	(2.3)%
Total assets	4,852	4,899	(47)	(1.0)%
Deferred outflows of resources	63	79	(16)	(20.3)%
Total assets and deferred outflows	4,915	4,978	(63)	(1.3)%
Long-term liabilities	89	90	(1)	(1.1)%
Other liabilities	23	21	2	9.5%
Total liabilities	112	111	1	0.9%
Deferred inflows of resources	-	-	-	0.0%
Net position:				
Net investment in capital assets	4,581	4,691	(110)	(2.3)%
Restricted	20	20	-	0.0%
Unrestricted	202	156	46	29.5%
Total net position	\$ 4,803	\$ 4,867	\$ (64)	(1.3)%

**STOKES BROWN PUBLIC LIBRARY  
(A Joint Venture)  
Management's Discussion and Analysis (Unaudited) - Continued  
June 30, 2018**

**TABLE A-2  
Condensed Statement of Activities Excluding Component Units  
(In thousands of dollars)**

	Year Ended 2018	Year Ended 2017	Dollar Change	Percent Change
General revenues	\$ 844	\$ 748	\$ 96	12.8%
Program revenues	81	25	56	224.0%
Total revenues	<u>925</u>	<u>773</u>	<u>152</u>	19.7%
Salaries and related	605	492	113	23.0%
Depreciation expense	218	214	4	1.9%
Other costs	<u>166</u>	<u>178</u>	<u>(12)</u>	(6.7)%
Total expenses	<u>989</u>	<u>884</u>	<u>105</u>	11.9%
Total expenses in excess of total revenues	(64)	(111)	47	(42.3)%
Capital contributions	<u>-</u>	<u>2</u>	<u>(2)</u>	(100.0)%
Change in net position	(64)	(109)	45	(41.3)%
Beginning net position	<u>4,867</u>	<u>4,976</u>	<u>(109)</u>	(2.2)%
Ending net position	<u>\$ 4,803</u>	<u>\$ 4,867</u>	<u>\$ (64)</u>	(1.3)%

**Overall Analysis**

The Library's overall net position in Fiscal Year 2018 decreased by 1.3%. Overall revenues were strong, increasing approximately 19.7% from the prior year. The Library's expenses (primarily salaries) increased mainly due to an investment in personnel and to provide more services to the City of Springfield and Robertson County.

**Budget Variances in the General Fund**

The General Fund revenues was above budgeted revenues by approximately \$3 thousand or less than 1.0%. Total General Fund expenditures were approximately 6.0% under budget. These things combined resulted in a positive net change in the fund balance of approximately \$62 thousand with an ending balance at June 30, 2018 of approximately \$249 thousand.

**STOKES BROWN PUBLIC LIBRARY**  
**(A Joint Venture)**  
**Management's Discussion and Analysis (Unaudited) - Continued**  
**June 30, 2018**

Capital Asset Activity

At the end of the fiscal year the Library had \$4,581 thousand net investment in capital assets. Capital asset additions in the current year were approximately \$108 thousand which primarily represents books purchased or donated to the Library.

**Schedule of Changes in Capital Assets**

**TABLE A-3**  
**Capital Assets**  
**(In thousands of dollars)**

	June 30, 2018	June 30, 2017	Dollar Change	Percent Change
Land	\$ 60	\$ 60	\$ -	0.0%
Building and improvements	4,328	4,317	11	0.3%
Books and audio visual	1,463	1,389	74	5.3%
Furniture and equipment	565	542	23	4.2%
Subtotal	6,416	6,308	108	1.7%
Less accumulated depreciation	(1,835)	(1,617)	(218)	13.5%
Net capital assets	<u>\$ 4,581</u>	<u>\$ 4,691</u>	<u>\$ (110)</u>	(2.3)%

**STOKES BROWN PUBLIC LIBRARY**  
**(A Joint Venture)**  
**Management's Discussion and Analysis (Unaudited) - Continued**  
**June 30, 2018**

Debt Administration

The Library does not have any long-term debt at June 30, 2018.

Requests for Information

This financial report is designed to provide interested parties with a general overview of the Library's finances and to demonstrate the Library's accountability for the funds it receives. If you have questions about this report or require additional or clarifying information, contact the Library Director at Stokes Brown Public Library, 405 White Street, Springfield, TN 37172.

**Stokes Brown Public Library  
(A Joint Venture)  
Governmental Fund Balance Sheet / Statement of Net Position  
June 30, 2018**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>	<u>Component Units</u>
<b>ASSETS</b>				
Cash	\$ 250,604	\$ -	\$ 250,604	\$ 233,762
Restricted Assets	20,000	-	20,000	-
Receivables	-	-	-	26,998
Other Assets	845	-	845	-
Capital Assets				
Land	-	60,000	60,000	-
Other Capital Assets, Net of Accumulated Depreciation	-	4,520,552	4,520,552	-
<b>TOTAL ASSETS</b>	<u>271,449</u>	<u>4,580,552</u>	<u>4,852,001</u>	<u>260,760</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>-</u>	<u>62,947</u>	<u>62,947</u>	<u>-</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 271,449</u>			
<b>LIABILITIES</b>				
Accounts Payable	9,585	-	9,585	-
Accrued Payroll	13,016	-	13,016	-
Net Pension Liability	-	89,300	89,300	-
<b>Total Liabilities</b>	<u>22,601</u>	<u>89,300</u>	<u>111,901</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>260</u>	<u>260</u>	<u>-</u>
<b>FUND BALANCE</b>				
Nonspendable	20,000	(20,000)	-	
Unassigned	228,848	(228,848)	-	
Total Fund Balance	<u>248,848</u>	<u>(248,848)</u>	<u>-</u>	
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<u>\$ 271,449</u>			
<b>NET POSITION</b>				
Investment in Capital Assets		4,580,552	4,580,552	-
Restricted - nonexpendable		20,000	20,000	-
Unrestricted		202,235	202,235	260,760
<b>Total Net Position</b>		<u>\$ 4,802,787</u>	<u>\$ 4,802,787</u>	<u>\$ 260,760</u>

See notes to financial statements.

**Stokes Brown Public Library  
(A Joint Venture)**

**Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance /  
Statement of Activities  
For the Year Ended June 30, 2018**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>	<u>Component Units</u>
<b>Expenditures/Expenses</b>				
Salaries and Related	\$ 588,821	\$ 16,009	\$ 604,830	\$ -
Utilities	37,024	-	37,024	-
Telephone	11,861	-	11,861	-
Maintenance and Repair	39,781	-	39,781	-
Supplies	31,520	-	31,520	2,565
Insurance	6,010	-	6,010	-
Other Expenses	26,597	-	26,597	34,332
Software	13,379	-	13,379	-
Capital Outlay:				
Books	49,047	(49,047)	-	-
Audio Visual Materials	13,450	(13,450)	-	-
Equipment	29,002	(29,002)	-	-
Depreciation Expense	-	218,127	218,127	-
Total Expenditures/Expenses	<u>846,492</u>	<u>142,637</u>	<u>989,129</u>	<u>36,897</u>
<b>Program Revenues</b>				
Fines	16,894	-	16,894	-
Grants and Contributions	43,632	16,538	60,170	-
Memorials	3,945	-	3,945	-
Fundraising	-	-	-	780
Total Program Revenues	<u>64,471</u>	<u>16,538</u>	<u>81,009</u>	<u>780</u>
Net Program Expense	<u>782,021</u>	<u>126,099</u>	<u>908,120</u>	<u>36,117</u>

See notes to financial statements.

**Stokes Brown Public Library  
(A Joint Venture)**

**Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance /  
Statement of Activities - Continued  
For the Year Ended June 30, 2018**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>	<u>Component Units</u>
<b>General Revenues</b>				
Robertson County	409,050	-	409,050	-
City of Springfield	409,050	-	409,050	-
Contributions	-	-	-	22,534
Other Income	25,923	-	25,923	3,348
Interest Income	46	-	46	343
Total General Revenues	<u>844,069</u>	<u>-</u>	<u>844,069</u>	<u>26,225</u>
 Net Change in Fund Balance/Net Position	 62,048	 (126,099)	 (64,051)	 (9,892)
 Fund Balance/Net position at beginning of year	 <u>186,800</u>	 <u>4,680,038</u>	 <u>4,866,838</u>	 <u>270,652</u>
Fund Balance/Net position at end of year	<u>\$ 248,848</u>	<u>\$ 4,553,939</u>	<u>\$4,802,787</u>	<u>\$ 260,760</u>

See notes to financial statements.

**Stokes Brown Public Library  
(A Joint Venture)  
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual –  
General Fund  
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Positive (Negative) Variance with Final
	Original	Final		Final
<b>Revenues</b>				
Robertson County	\$ 409,050	\$ 409,050	\$ 409,050	\$ -
City of Springfield	409,050	409,050	409,050	-
Fines	16,500	16,500	16,894	394
Grants and Contributions, Net	19,750	42,253	43,632	1,379
Memorials	1,500	3,725	3,945	220
Other Income	21,500	24,950	25,923	973
Interest Income	20	20	46	26
Total Revenues	<u>877,370</u>	<u>905,548</u>	<u>908,540</u>	<u>2,992</u>
<b>Expenditures</b>				
Operating Expenses:				
Salaries and Related	630,370	621,895	588,821	33,074
Utilities	42,000	42,000	37,024	4,976
Telephone	13,000	13,000	11,861	1,139
Maintenance and Repair	40,000	40,000	39,781	219
Supplies	33,500	32,000	31,520	480
Insurance	15,000	15,000	6,010	8,990
Other Expenses	23,000	28,700	26,597	2,103
Software	14,000	14,000	13,379	621
Capital Outlay:				
Books	42,500	51,953	49,047	2,906
Audio Visual Materials	12,000	15,000	13,450	1,550
Equipment	10,000	30,000	29,002	998
Total program expenditures/expenses	<u>875,370</u>	<u>903,548</u>	<u>846,492</u>	<u>57,056</u>
Net Change in Fund Balance	2,000	2,000	62,048	<u>\$ 60,048</u>
Fund Balance at beginning of year	<u>186,800</u>	<u>186,800</u>	<u>186,800</u>	
Fund Balance at end of year	<u>\$ 188,800</u>	<u>\$ 188,800</u>	<u>\$ 248,848</u>	

See notes to financial statements.

**Stokes Brown Public Library  
(A Joint Venture)  
Notes to Financial Statements  
June 30, 2018**

**Note 1 – Summary of Significant Accounting Policies**

**A. Organization**

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

**B. Basis of Presentation**

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

**C. Reporting Entities**

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

In October 2017, the City of Springfield and Robertson County, Tennessee entered into an Interlocal Agreement to jointly fund the operations of the Library effective July 1, 2017 and ending June 30, 2022. The agreement shall automatically renew itself from year to year thereafter upon adoption by each party of a fiscal year budget that includes a 50% allocation of funding each for the library operations.

The Friends of Gorham-MacBane Public Library (the Friends of the Library) is a legally separate, tax-exempt component unit of the Library. The Friends of the Library act primarily as a fund-raising organization to supplement the resources that are available to the Library in support of its programs. Although the Library does not control the timing or amount of funds available from the Friends of the Library, all funds held by the Friends are for the ultimate benefit of the Library, and therefore the Friends of the Library is considered a component unit and is discretely presented in the Library's financial statements. Financial statements for the Friends of the Library can be obtained from the Treasurer of the Friends of the Library at 405 White Street, Springfield, TN 37172.

The Stokes Brown Public Library Foundation (the Foundation) is a legally separate, tax-exempt component unit of the Library. The Foundation exists to support the Library's Board of Directors and staff in their efforts to fulfill the Library's mission and goals. The Foundation's purpose is to raise monies for special programs, materials, and other capital improvements outside of the Library's publically funded operating budget. Although the Library does not control the timing or amount of funds available from the Foundation, all funds held by the Foundation are for the ultimate benefit of the Library, and therefore the Foundation is considered a component unit and is discretely presented in the Library's financial statements. Financial statements for the Foundation can be obtained from the Treasurer of the Foundation at 405 White Street, Springfield, TN 37172.

Included in the financial statements of the Component Units are the activities of both the Friends of the Library and the Foundation.

**Stokes Brown Public Library**  
**(A Joint Venture)**  
**Notes to Financial Statements - Continued**  
**June 30, 2018**

**Note 1 – Summary of Significant Accounting Policies - continued**

**D. Combination Government-Wide and Fund Financial Statements**

Combination government-wide and fund financial statements are presented for the Library. The first column of the statements represents the fund financial statements of the Library. The third column represents the government-wide financial statements. The adjustments column represents the adjustments necessary to reconcile the fund financial statements to the government-wide. The explanations of the reconciling items are presented as Notes 9 and 10.

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

**E. Government-Wide Financial Statements**

The government-wide financial statements include a statement of net position and a statement of activities. These statements present summaries of the governmental activity of the Library.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**F. Fund Financial Statements**

The governmental fund financial statements are reported using the current financial resources focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

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

The financial transactions of the Library are reported in individual funds in the fund financial statements. The operations of each fund are summarized by providing a separate set of self-balancing accounts which include assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures. The individual funds account for

**Stokes Brown Public Library  
(A Joint Venture)  
Notes to Financial Statements - Continued  
June 30, 2018**

**Note 1 – Summary of Significant Accounting Policies - continued**

**F. Fund Financial Statements - continued**

the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions.

The Library reports the following major fund:

**Government Fund Types:**

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

All revenues are attributable to the providing of library services.

**G. Fund Balance**

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

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

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

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

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

Unassigned - Amounts that are available for any purpose.

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

**Stokes Brown Public Library  
(A Joint Venture)  
Notes to Financial Statements - Continued  
June 30, 2018**

**Note 1 – Summary of Significant Accounting Policies – continued**

**H. Net Position**

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

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

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

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

**I. Financial Statement Accounts**

Cash

Cash consists of cash on hand, demand deposits, and high liquid investments (including restricted cash) with maturities of three months or less from the date of acquisition.

Capital Assets

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

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

- Buildings and Land – acquisitions with a useful life greater than 1 year
- Land Improvements - projects over \$10,000
- Building Renovations and Improvements – projects over \$100,000 extending the useful life
- Equipment – equipment costing over \$3,000 with a useful life of 1 year
- Library Books and Audio Visual Materials – acquisitions with a useful life greater than 1 year

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

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

Revenues

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

**Stokes Brown Public Library**  
**(A Joint Venture)**  
**Notes to Financial Statements - Continued**  
**June 30, 2018**

**Note 1 – Summary of Significant Accounting Policies – continued**

**I. Financial Statement Accounts - continued**

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

**J. Budgets**

The Library Board appoints a committee, consisting of board members along with the librarian, which formulates the original budget. The budget is prepared on a modified accrual basis of accounting. The budget is then submitted to the Library Board for approval. After Library Board approval, it is then submitted to the City of Springfield Aldermen for approval. After the City Aldermen have approved the budget, it is then submitted to the budget committee of the Robertson County Commission. Upon passing review of the budget committee, it is then submitted to the full County Commission which has the final approval. The operating budget includes proposed expenditures and the means of financing them. Budget amendments require approval by the Board of Directors. The legal level of budgetary control is the line-item level. When unexpected or excess financing becomes available during the year, the Library Board has given the librarian authority to use her discretion as to how the funds are to be used unless stipulated by the donor or grantor. Since funding is an unknown variable for the library, expenditures are difficult to budget throughout the year. As funding becomes available, the board often authorizes additional expenditures. The budgetary basis is consistent with GAAP.

**K. Use of Estimates**

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States (GAAP). Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses.

**L. Jointly Governed Organizations**

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

**M. Restricted Resources**

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

**N. 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 the Library's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the Library's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of the TCRS. Investments are reported at fair value.

**Stokes Brown Public Library  
(A Joint Venture)  
Notes to Financial Statements - Continued  
June 30, 2018**

**Note 2 – Cash**

Deposits in financial institutions are required by State statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions, less the amount protected by Federal Deposit Insurance Corporation insurance (FDIC). Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's collateral pool.

The Library is authorized by law to invest idle funds in obligations of the U.S. Government and non-convertible debt securities of the Federal Home Loan Bank, Federal National Mortgage Association, Federal Farm Credit Bank, and Federal Home Loan Mortgage Corporation, and other obligations guaranteed by the U.S. Government or any of its agencies. The Library is also authorized to invest in secured certificates of deposit and other evidences of deposit at state and federal chartered banks and savings and loan associations. The Library also may invest in obligations of the U.S. Government or its agencies under a repurchase agreement, if the state director of local finance approves repurchase agreements as an authorized investment. Finally, the Library may invest in the local government investment pool created by Title 9, Chapter 4, Part 7, *Tennessee Code Annotated*.

The Library has not adopted formal policies to restrict credit risk, interest rate risk, or custodial risk beyond requirements of state statutes. In addition, the Library has not adopted a formal policy to limit the amount the Library may invest in any one issuer. The Library's restricted assets presented in the balance sheets consist solely of secured bank certificates of deposit with maturities over 90 days with a balance of \$20,000 at June 30, 2018.

**Note 3 – Pension Plan**

*Plan Description*

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

*Benefits Provided*

Tennessee Code Annotated, Title 8, Chapters 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

**Stokes Brown Public Library  
(A Joint Venture)  
Notes to Financial Statements - Continued  
June 30, 2018**

**Note 3 – Pension Plan – continued**

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

*Employees covered by benefit terms.*

At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

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

*Contributions*

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The Library makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2018, the employer contributions for the Library were \$25,697 based on a rate of 11.15 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the Library's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Net Pension Liability (Asset)**

The Library's net pension liability (asset) was measured as of June 30, 2017, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

**Stokes Brown Public Library  
(A Joint Venture)  
Notes to Financial Statements - Continued  
June 30, 2018**

**Note 3 – Pension Plan - continued**

*Actuarial Assumptions*

The total pension liability as of June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.46 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost of Living Adjustment	2.25 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

*Changes of Assumptions*

In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

**Stokes Brown Public Library  
(A Joint Venture)  
Notes to Financial Statements - Continued  
June 30, 2018**

**Note 3 – Pension Plan - continued**

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, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce 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 expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real Estate	4.32%	10%
Short-term securities	0.00%	1%
		<hr/> 100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the factors described above.

*Discount rate*

The discount rate used to measure the total pension liability was 7.25 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 the Library will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investment was applied to all periods of projected benefit payments to determine the total pension liability.

**Stokes Brown Public Library  
(A Joint Venture)  
Notes to Financial Statements - Continued  
June 30, 2018**

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

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a) - (b)</b>
<b>Balance at 6/30/16</b>	\$ 458,484	\$ 368,108	\$ 90,376
<b>Changes for the year:</b>			
Service cost	7,972	-	7,972
Interest	34,035	-	34,035
Differences between expected and actual experience	19,687	-	19,687
Changes in Assumptions	11,566	-	11,566
Contributions - employer	-	22,542	(22,542)
Contributions - employees	-	10,109	(10,109)
Net investment income	-	42,109	(42,109)
Benefit payments, including refunds of employee contributions	(25,307)	(25,307)	-
Administrative expense	-	(424)	424
<b>Net changes</b>	<u>47,953</u>	<u>49,029</u>	<u>(1,076)</u>
<b>Balance at 6/30/17</b>	<u>\$ 506,437</u>	<u>\$ 417,137</u>	<u>\$ 89,300</u>

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

The following presents the net pension liability (asset) of the Library calculated using the discount rate of 7.25 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability (asset)	\$ 158,472	\$ 89,300	\$ 32,901

**Stokes Brown Public Library  
(A Joint Venture)  
Notes to Financial Statements - Continued  
June 30, 2018**

**Note 3 – Pension Plan - continued  
Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Pension expense*

For the year ended June 30, 2018, the Library recognized pension expense of \$40,457.

*Deferred outflows of resources and deferred inflows of resources*

For the year ended June 30, 2018, the Library reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 28,576	\$ -
Net difference between projected and actual earnings on pension plan investments	-	260
Changes in Assumptions	8,674	-
Contributions subsequent to the measurement date of June 30, 2017	<u>25,697</u>	<u>-</u>
Total	<u>\$ 62,947</u>	<u>\$ 260</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2017” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

**Year Ended June 30:**

2019	\$ 15,484
2020	15,917
2021	8,440
2022	(2,851)
2023	-
Thereafter	-

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

**Stokes Brown Public Library  
(A Joint Venture)  
Notes to Financial Statements - Continued  
June 30, 2018**

**Note 4 – Nonspendable Fund Balance / Nonexpendable Net Position**

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

**Note 5 – Capital Assets**

Changes in capital assets for the year are as follows:

	<u>Balance 6/30/2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2018</u>
<b>Capital Assets, not depreciated</b>				
Land	\$ 60,000	\$ -	\$ -	\$ 60,000
Total Capital Assets, not depreciated	<u>\$ 60,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,000</u>
<b>Capital Assets, depreciated</b>				
Building and Improvements	\$ 4,316,390	\$ 11,858	\$ -	\$ 4,328,248
Books and Audio Visual	1,388,861	73,780	-	1,462,641
Furniture and Equipment	542,361	22,399	-	564,760
Total Capital Assets, depreciated	<u>\$ 6,247,612</u>	<u>\$ 108,037</u>	<u>\$ -</u>	<u>\$ 6,355,649</u>
<b>Less Accumulated Depreciation</b>				
Building and Improvements	\$ 353,903	\$ 103,803	\$ -	\$ 457,706
Books and Audio Visual	956,205	62,063	-	1,018,268
Furniture and Equipment	306,862	52,261	-	359,123
Total Accumulated Depreciation	<u>\$ 1,616,970</u>	<u>\$ 218,127</u>	<u>\$ -</u>	<u>\$ 1,835,097</u>
<b>Net Capital Assets</b>	<u>\$ 4,690,642</u>	<u>\$ (110,090)</u>	<u>\$ -</u>	<u>\$ 4,580,552</u>

Depreciation expense of \$218,127 was charged to the library services governmental activity.

**Note 6 – State Appropriation**

The Library receives support from the Red River Regional Library Center annually based on the funding the Center receives from the State of Tennessee and the service area population of Robertson County in relation to other counties serviced by Warioto. For the fiscal year ended June 30, 2018, the library received funding of \$16,538 from the Warioto Regional Center. The Library does not receive this support in the form of cash payments. The Center uses these funds to purchase books and audio visual materials on behalf of the library.

**Stokes Brown Public Library  
(A Joint Venture)  
Notes to Financial Statements - Continued  
June 30, 2018**

**Note 7 – Risk Management**

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

**Note 8 – Concentrations/Related Party Transactions**

Stokes Brown Public Library has received over 90% of its operational funding from Robertson County and the City of Springfield.

**Note 9 – Reconciliation of Governmental Fund Balance Sheet to Statement of Net Position**

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

Total Fund Balance - Governmental Fund	\$	248,848
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Amounts reported for governmental activities in the statement of net position are different because:

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

Capital assets, net of related accumulated depreciation	4,580,552
Deferred outflows related to pensions	62,947
Deferred inflows related to pensions	(260)

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

Net pension liability	(89,300)
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Total Net Position	\$	4,802,787
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**Stokes Brown Public Library  
(A Joint Venture)  
Notes to Financial Statements - Continued  
June 30, 2018**

**Note 10 – Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities**

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

Change in Fund Balance - Governmental Fund	\$ 62,048
Governmental funds reflect pension expense as paid; however, in the statement of activities, pension expense net of employee contributions is reported as earned.	(16,009)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	(110,090)
Change in Net Position	<u>\$ (64,051)</u>

**Note 11 – Component Unit Promises to Give**

The component unit had \$26,998 due in the form of pledges to be received within one year.

**Required Supplementary Information**

**Stokes Brown Public Library (A Joint Venture)**  
**Schedule of Changes in Net Pension Liability (Asset) and Related Ratios**  
**Based on Participation in the Public Employee Pension Plan of the TCRS**  
**Last Fiscal Year Ending June 30**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>				
Service Cost	\$ 7,972	\$ 6,963	\$ 5,607	\$ 2,858
Interest	34,035	31,633	29,282	22,679
Differences Between Actual and Expected Experience	19,687	17,601	20,037	82,073
Change of Assumptions	11,566	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(25,307)</u>	<u>(25,056)</u>	<u>(24,808)</u>	<u>(19,841)</u>
<b>Net Change in Total Pension Liability</b>	47,953	31,141	30,118	87,769
<b>Total Pension Liability - Beginning</b>	<u>458,484</u>	<u>427,343</u>	<u>397,225</u>	<u>309,456</u>
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 506,437</u>	<u>\$ 458,484</u>	<u>\$ 427,343</u>	<u>\$ 397,225</u>
 <b>Plan Fiduciary Net Position</b>				
Contributions-Employer	\$ 22,542	\$ 18,006	\$ 16,103	\$ 12,368
Contributions-Employee	10,109	8,075	7,221	6,165
Net Investment Income	42,109	9,503	10,721	49,711
Benefit Payments, Including Refunds of Employee Contributions	(25,307)	(25,056)	(24,808)	(19,841)
Administrative Expense	<u>(424)</u>	<u>(378)</u>	<u>(254)</u>	<u>(171)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	49,029	10,150	8,983	48,232
<b>Plan Fiduciary Net Position - Beginning</b>	<u>368,108</u>	<u>357,958</u>	<u>348,975</u>	<u>300,743</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 417,137</u>	<u>\$ 368,108</u>	<u>\$ 357,958</u>	<u>\$ 348,975</u>
 <b>Net Pension Liability (Asset) - Ending (a) - (b)</b>	<u>\$ 89,300</u>	<u>\$ 90,376</u>	<u>\$ 69,385</u>	<u>\$ 48,250</u>
 <b>Plan Fiduciary Net Position As a Percentage of Total Pension Liability</b>	<u>82.37%</u>	<u>80.29%</u>	<u>83.76%</u>	<u>87.85%</u>
 <b>Covered-Employee Payroll</b>	<u>\$ 202,174</u>	<u>\$ 161,492</u>	<u>\$ 144,417</u>	<u>\$ 123,307</u>
 <b>Net Pension Liability (Asset) As a Percentage of Covered-Employee Payroll</b>	<u>44.17%</u>	<u>55.96%</u>	<u>48.04%</u>	<u>39.13%</u>

**Notes to Schedule:**

Changes of assumptions. In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth, and mortality improvements.

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

See independent auditors' report.

**Stokes Brown Public Library (A Joint Venture)**  
**Schedule of Contributions**  
**Based on Participation in the Public Employee Pension Plan of the TCRS**  
**Last Fiscal Year Ending June 30**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially Determined Contribution	\$ 12,368	\$ 16,103	\$ 18,006	\$ 22,542	\$ 25,697
Contributions in Relation to the Actuarially Determined Contribution	12,368	16,103	18,006	22,542	25,697
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	<u>\$123,307</u>	<u>\$144,417</u>	<u>\$161,492</u>	<u>\$ 202,174</u>	<u>\$ 279,787</u>
Contributions As a Percentage of Covered-Employee Payroll	<u>10.03%</u>	<u>11.15%</u>	<u>11.15%</u>	<u>11.15%</u>	<u>9.18%</u>

**Notes to Schedules:**

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

*Valuation date:* Actuarially determined contribution rates for fiscal year 2018 were calculated based on the June 30, 2017 actuarial valuation.

*Methods and assumptions used to determine contribution rates:*

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, closed (not to exceed 20 years)
Remaining Amortization Period	Varies by Year
Asset Valuation	10-year smoothed with a 20 percent corridor to market value
Inflation	3.0 percent
Salary Increases	Graded salary ranges form 8.97 to 3.71 percent based on age, including inflation
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement Age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.50 percent

See independent auditors' report.

## **Supplementary Information**

**Stokes Brown Public Library  
(A Joint Venture)  
Schedule of Expenditures of Federal Awards and State Financial Assistance  
For the Year Ended June 30, 2018**

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>Program/Cluster Name</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
<b>Federal Awards</b>				
<b>Pass-through Funding through the Tennessee State Library and Archives:</b>				
Institute of Museum and Library Services	Grants to States Program	45.310	30501-00118-107	\$ <u>500</u>
Total Federal Awards				\$ <u><u>500</u></u>

**Note 1 - Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance summarized the expenditures of the Library under programs of the federal and state governments for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Library, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Library. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 2 - Indirect Cost Rate**

The Library has not elected to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

See independent auditors' report.

# BLANKENSHIP CPA GROUP, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

To the Board of Trustees  
Stokes Brown Public Library

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the general fund, and the aggregate discretely presented component units of Stokes Brown Public Library (the Library), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated November 7, 2018.

### **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.

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*.

## **Purpose of this Report**

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

*Blankenship CPA Group, PLLC*

November 7, 2018

**Stokes Brown Public Library  
(A Joint Venture)  
Schedule of Prior Year Findings  
For the Year Ended June 30, 2018**

Financial Statement Findings

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
N/A	There were no prior findings reported	N/A