E.G. FISHER PUBLIC LIBRARY

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2011

I. INTRODUCTORY SECTION

E.G. FISHER PUBLIC LIBRARY
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June 30, 2011

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E.G. FISHER PUBLIC LIBRARY
Directors/Officers
June 30, 2011

Executive Director ..... Julie Forkner

Chairman ..... Charlie Senn

Vice-Chairman ..... J. L. Carman

Secretary/Treasurer ..... Lois Preece

Director ..... Gail Anderson

Director ..... Jordan Curtis

Director ..... Cindy Duncan

Director ..... Shelley Griffith

Director ..... Marilyn Joiner

Director ..... Debra Jones

II. FINANCIAL SECTION

Certified Public Accountants

301 N. Market
Chattanooga, TN
37405

Office: 423-756-1170
Fax: 423-756-1436
www.jmw-cpa.com

Members
American Institute
of Certified
Public Accountants

Paul Johnson, III, CPA

Brian T. Wright, CPA

Karen Hutcherson, CPA

John H. Shipp, CPA

Marianne Greene, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
E.G. Fisher Public Library
Athens, Tennessee

We have audited the accompanying financial statements of the governmental activities and the major fund information of the E.G. Fisher Public Library, as of and for the year ended June 30, 2011, which collectively comprise the Library's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the E.G. Fisher Public Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 the major fund information of the E.G. Fisher Public Library as of June 30, 2011, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2012, on our consideration of the E.G. Fisher Public Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

E.G. Fisher Public Library has not presented a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

The Required Supplementary Information on page 16 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the E.G. Fisher Public Library's basic financial statements. The Introductory Section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Johnson, Murphey & Wright, P.C.

Chattanooga, Tennessee
January 26, 2012

BASIC FINANCIAL STATEMENTS

E.G. FISHER PUBLIC LIBRARY
Statement of Net Assets
June 30, 2011

	Governmental Activities
ASSETS	
Cash	$ 41,695
Investments - in trust	311,564
Capital assets, net of accumulated depreciation	
Property and equipment	13,899
Library collections	892,689
TOTAL ASSETS	$ 1,259,847
LIABILITIES	
Accounts payable	$ 365
Accrued liabilities	3,416
Deferred grant revenue	18,094
TOTAL LIABILITIES	$ 21,875
NET ASSETS	
Invested in capital assets	$ 906,588
Unrestricted	331,384
TOTAL NET ASSETS	$ 1,237,972

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

E.G. FISHER PUBLIC LIBRARY
Statement of Activities
Year Ended June 30, 2011

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Fines	Operating Grants and Contributions	Governmental Activities
GOVERNMENTAL ACTIVITIES				
Program services	$ 390,611	$ 34,081	$ -	$ (356,530)
Support services	15,772	-	271,763	255,991
Total governmental activities	$ 406,383	$ 34,081	$ 271,763	(100,539)
GENERAL REVENUES				
Restricted investment earnings (loss)				30,908
Miscellaneous				145
Grants and contributions - unrestricted				290,141
Total general revenues				321,194
Change in net assets				220,655
Net assets - beginning				1,017,317
Net assets - end				$ 1,237,972

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

E. G. FISHER PUBLIC LIBRARY
Governmental Funds
Balance Sheet
June 30, 2011

	Total Governmental Units
ASSETS	
Cash	$ 41,695
Investments	311,564
TOTAL ASSETS	$ 353,259
LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts payable	$ 365
Accrued expenses	3,416
Deferred grant revenue	18,094
Total liabilities	21,875
Fund balances	
Unassigned	331,384
Total fund balances	
TOTAL LIABILITIES AND FUND BALANCES	$ 353,259

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

E.G. FISHER PUBLIC LIBRARY
Reconciliation of Fund Balance to the Statement of Net Assets
June 30, 2011

Total fund balance per governmental funds Balance Sheet	$	331,384
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		906,588
Net assets of governmental activities	$	1,237,972

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

E. G. FISHER PUBLIC LIBRARY
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
June 30, 2011

	Total Governmental Funds
REVENUES	
Local governmental appropriations	$ 290,141
Contributions	33,474
Fines and fees	28,668
Interest	3,089
Net increase in the fair value of investments	27,819
Miscellaneous	5,558
Total revenue	388,749
EXPENDITURES	
Program services	359,136
Support services	15,772
Total expenditures	374,908
Excess (deficiency) of revenues over (under) expenditures	13,841
FUND BALANCES - beginning	317,543
FUND BALANCES - end	$ 331,384

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

E.G. FISHER PUBLIC LIBRARY

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

June 30, 2011

Net change in fund balances for total governmental funds	$ 13,841
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 capital outlay exceeded depreciation in the current period.	206,814
Change in net assets of governmental activities	$ 220,655

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the E.G. Fisher Public Library have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of the more significant accounting policies:

A. Reporting Entity

E.G. Fisher Public Library is a non-profit entity which operates under provisions of the laws of Tennessee. The Entity is governed by an executive director and board members who jointly oversee the general administrative responsibilities. Because it is primarily funded by allocations from local governments and provides services to the public, it is classified as a "special purpose" government.

The City of Athens and McMinn County participate in the joint operation of the E.G. Fisher Public Library. The McMinn County Library Board consists of seven members, of which four are appointed by the County Commission and three are appointed by the City Council. E.G. Fisher Public Library, however, does not qualify as a component unit of either the City of Athens or McMinn County and has no component units based on the criteria of GASB Statement No. 14 as amended by GASB Statement No. 39.

B. Basic Financial Statements

The basic financial statements include both government-wide (based on the Entity as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities.

Government-wide Statements - The Entity's government-wide financial statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental Activities for the Entity applicable to governmental units which are generally accepted in the United States of America.

The Statement of Net Assets and the Statement of Activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Entity's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational requirements of a particular program. The net cost (by function) is normally covered by general revenue (unrestricted grants and contributions, interest income, etc.).

This government-wide focus is designed to view the E.G. Fisher Public Library as a complete entity and the change in aggregate financial position resulting from the activities of the fiscal period.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements (Continued)

Fund Financial Statements - The fund financial statements provide information about the Entity's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on the major governmental fund.

The Entity reports the following major governmental fund:

General Fund - This is the Entity's primary operating fund. It accounts for all financial resources of the Entity, except those required to be accounted for in another fund.

C. Measurement Focus - Basis of Accounting

The government-wide financial statements are presented in an economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the Entity's assets and liabilities, including capital assets, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues are reported in two categories 1) charges for services; and 2) operating grants and contributions.

Government Fund Financial Statements

Government fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. The Entity has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to financial expenditures of the current period. According, 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 Entity considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences claims and judgments are recorded when payment is due.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the governmental activities column in the government-wide financial statements, a reconciliation is presented on the page following each statement which briefly explains the adjustments necessary to transform the fund-based financial statements into the governmental activities column of the government-wide presentation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus - Basis of Accounting (Continued)

Government Fund Financial Statements (Continued)
As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

All governmental activities of the Entity follow FASB ASC, unless those pronouncements conflict with GASB pronouncements, in which case, GASB prevails.

D. Fund Balance Policy

Committed Fund Balances:
The Board of Directors has the authority to commit funds for a specific purpose. Any funds set aside as committed fund balance requires, at a minimum, the passage of a resolution by a simple majority vote. An ordinance may also be used.

Assigned Fund Balance:
The Board of Directors has the authority to set aside funds for the intended use of a specific purpose. Any funds set aside as assigned fund balance requires a simple majority vote and must be recorded in the minutes.

Order of Use of Restricted and Unrestricted Funds:
When both restricted and unrestricted funds are available for expenditure, restricted funds should be spent first unless legal requirements disallow it.

When committed, assigned and unassigned funds are available for expenditure, committed funds should be spent first, assigned funds second, and unassigned funds last.

E. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year end. Budgeted amounts are as originally adopted, or as amended by the Board prior to June 30, 2011.

F. Cash and Cash Equivalents

For financial statement purposes, the Entity considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

G. Investments

The Entity carries investments in equity securities with readily determinable fair values and all debt securities at fair value in accordance with Governmental Accounting Standards Board (GASB) No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Unrealized gains and losses are included in the Statement of Activity.

For investment securities, the related investment activity (interest, dividends, gains and losses) is reported as revenue in the period in which the activity is recognized.

During the year ended June 30, 2011, the Entity did not own any types of securities other than those permitted by statute.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight line method over the estimated useful lives of the assets.

The Entity's collections and books are capitalized and depreciated under group methods for lives ranging from 3 to 7 years.

I. Income Tax Status

Based upon a determination letter received from the Internal Revenue Service effective March 5, 1996, the Entity is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Entity's tax-exempt purpose may be subject to taxation as unrelated business income. In addition, the Entity qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

J. Contributed Facilities and Services

The Entity occupies, without charge, premises owned by the McMinn County Library Board. The estimated fair rental value of the premises is not included in the accompanying statements.

A number of unpaid volunteers have made significant contributions of their time to develop the Entity's programs. The value of this contributed time is not reflected in these statements as no reliable basis exists for determining an appropriate amount.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

L. Events Occurring after Reporting Date

The Entity has evaluated events and transactions that occurred between June 30, 2011, and January 26, 2012, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that in the event of a bank failure the Entity's deposits may not be returned to it. The Entity does not have a deposit or investment policy for custodial credit risk, however, the State of Tennessee requires its governmental entities to either meet the deposit and collateralization regulations under TCA Title 9, Chapter 4, Parts 1 and 4, or as provided in the collateral pool. As of June 30, 2011, the carrying amount of the Entity's deposits was $41,695 and the bank balance was $53,991. None of the Entity's bank balance was exposed to custodial credit risk as uninsured or uncollateralized due to the fact that all of its deposits are fully collateralized.

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Investments

The Entity has separate agreements with BB&T Company and Citizens National Bank to oversee the investment and management of the Entity's trust funds. These investments are held by the counterparty, or by its trust department or agent, but not in the Entity's name. Investments are presented in the financial statements in the aggregate at fair market value and consist of the following:

	Fair Value June 30, 2011	Fair Value June 30, 2010	Change in Fair Value
Cash equivalents	$ 15,628	$ 22,639	$ (7,011)
Mutual funds	196,172	157,687	38,485
Fixed income securities	97,129	129,700	(32,571)
Equities	2,635	-	2,635
	$ 311,564	$ 310,026	$ 1,538

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Government activities:				
Capital assets being depreciated:				
Property and equipment:				
Furniture and fixtures	$ 13,986	$ -	$ -	$ 13,986
Equipment	67,300	2,804	(3,583)	66,521
Library collections	1,692,981	261,751	(72,073)	1,882,659
Total capital assets being depreciated	1,774,267	264,555	(75,656)	1,963,166
Less accumulated depreciation for:				
Property and equipment:				
Furniture and fixtures	12,630	247	-	12,877
Equipment	49,768	7,546	(3,583)	53,731
Library collections	1,012,095	49,948	(72,073)	989,970
Total accumulated depreciation	1,074,493	57,741	(75,656)	1,056,578
Total capital assets being depreciated - net	699,774	206,814	-	906,588
Governmental activities capital assets - net	$ 699,774	$ 206,814	$ -	$ 906,588

Capital assets net of accumulated depreciation is disclosed as follows:

Property and equipment	$ 13,899
Library collections	892,689
Total	$ 906,588

Depreciation expense charged to programs is as follows:

Program services	$ 57,741

NOTE 4 - DEFERRED GRANT REVENUE

Deferred grant revenue consists of the following:

State of Tennessee, Department of State, Tennessee State Library and Archives	$ 18,094

NOTE 5 - RETIREMENT PLAN

Plan Description

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at http://www.tn.gov/treasury/tcrs/PS/.

Funding Policy

The Entity requires employees to contribute 5% of earnable compensation.

The Entity is required to contribute at an actuarially determined rate: the rate for the fiscal year ending June 30, 2011, was 6.93% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the Entity is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2011, the Entity's annual pension cost of $8,610 to TCRS was equal to the Entity's required and actual contributions. The required contribution was determined as part of the July 1, 2009, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5% a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5% annual increase in the Social Security wage base, and (e) projected post-retirement increases of 2.5% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. E.G. Fisher Public Library's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009, was 7 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

NOTE 5 - RETIREMENT PLAN (Continued)

Annual Pension Cost (Continued)

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	$ 8,610	100.00%	$0.00
June 30, 2010	$ 9,322	100.00%	$0.00
June 30, 2009	$ 9,188	100.00%	$0.00

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 92.59% funded. The actuarial accrued liability for benefits was $0.4 million, and the actuarial value of assets was $0.3 million, resulting in an unfunded actuarial accrued liability (UAAL) of $0.00 million. The covered payroll (annual payroll of active employees covered by the plan) was $0.1 million, and the ratio of the UAAL to the covered payroll was 18.72%.

The Schedule of Funding Progress, presented as Required Supplementary Information (RSI) following the Notes to the Financial Statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL's for benefits.

The Annual Required Contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 01, 2009	$ 328	$ 354	$ 26	92.59%	$ 140	18.72%
July 01, 2007	$ 289	$ 298	$ 9	96.98%	$ 131	6.87%

NOTE 6 - RISK MANAGEMENT

The Entity is exposed to various risks of loss to torts: theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Entity carries commercial insurance. For insured programs, there have been no significant reductions in insurance coverage for the current year or the three prior years.

NOTE 7 - CONCENTRATIONS

The Entity is highly dependent on government funding that could be discontinued at anytime. The Entity believes that it is highly unlikely that funding would be discontinued because of the nature of the services provided.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

E. G. FISHER PUBLIC LIBRARY
Tennessee Consolidated Retirement System
Schedule of Funding Progress
June 30, 2011

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2009	$ 328	$ 354	$ 26	92.59%	$ 140	18.72%
July 1, 2007	$ 289	$ 298	$ 9	96.98%	$ 131	6.87%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method went into affect during the year of the 2007 actuarial valuation, therefore only the two most recent valuations are presented.

III. INTERNAL CONTROL AND COMPLIANCE SECTION

Certified Public Accountants

301 N. Market
Chattanooga, TN
37405

Office: 423-756-1170
Fax: 423-756-1436
www.jmw-cpa.com

Members
American Institute
of Certified
Public Accountants

Paul Johnson, III, CPA

Brian T. Wright, CPA

Karen Hutcherson, CPA

John H. Shipp, CPA

Marianne Greene, CPA

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 Directors
E.G. Fisher Public Library
Athens, Tennessee

We have audited the accompanying financial statements of the governmental activities and the major fund information of the E.G. Fisher Public Library, as of and for the year ended June 30, 2011, and have issued our report thereon dated January 26, 2012. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the E.G. Fisher Public Library's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the E.G. Fisher Public Library's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the E.G. Fisher Public Library's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as 11-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the E.G. Fisher Public Library's financial statements are free of 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*.

The E.G. Fisher Public Library's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the E.G. Fisher Public Library's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management and the Comptroller of the Treasury of the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

Johnson, Murphey & Wright, P.C.

Chattanooga, Tennessee
January 26, 2012

E.G. FISHER PUBLIC LIBRARY
Schedule of Findings and Responses
June 30, 2011

SUMMARY OF AUDIT RESULTS

Opinion:
Unqualified opinion issued on the financial statements in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Deficiencies:
During the audit of the financial statements, one significant deficiency in internal controls was disclosed, which also was considered to be a material weakness.

Material Noncompliance:
No material noncompliance was disclosed.

FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED *GOVERNMENT AUDITING STANDARDS*

INTERNAL CONTROL:

Finding 11-1 - Accounting expertise (repeat finding 10-1)

Criteria:
SAS 115 states in part that the lack of accounting personnel with sufficient "training" to properly design controls over the year-end financial reporting process, including the actual "preparation of financial statements" is a "significant deficiency" and a strong indication of a "material weakness".

Condition Found:
The Entity did not have accounting personnel on staff that had sufficient training to prepare their own financial report.

Recommendation:
The Entity should consider the risk benefits of continuing to allow the outside auditors to prepare the financial report versus having an internal auditor/CPA to perform the year-end financial reporting process.

Management's Response:
We concur. However, even though we are aware that we cannot theoretically rely on our outside CPA as a part of our system, we feel that this is still a very important and very reliable way to safeguard our assets and report the transactions of the Entity. We are taking responsibility for the preparation and fair presentation of the financial statements and we possess suitable skill, knowledge, and/or experience to evaluate the adequacy of any services in this area provided by the auditor.

E.G. FISHER PUBLIC LIBRARY
Schedule of Prior Audit Findings
June 30, 2011

INTERNAL CONTROL:

10-1 - Accounting expertise

Still in effect.

COMPLIANCE:

None disclosed.