

AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

**ARGIE COOPER  
PUBLIC LIBRARY**

Shelbyville, Tennessee  
June 30, 2011

**WINNETT**  
*Associates, PLLC*

Certified Public Accountants and Consultants

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**DIRECTORY OF OFFICIALS**  
**ARGIE COOPER PUBLIC LIBRARY**

June 30, 2011

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Members of the Library Board of Trustees:

Members appointed by Bedford County Board of Commissioners:

Lynn Hulan  
Ben Craig  
Missy Eakin  
Gaynelle Pitner

Fred Hunt  
Alice Russell  
Donald Stephens

Members appointed by Shelbyville City Council:

Helen Garner  
Eleanor Hall  
Marilyn Ewing  
Susan Derryberry

Daryl O'Neal  
Kay Rose  
Nina Gay Segroves

Regional Library Board Members:

Margaret Eakin  
Barbara Morgan

Officers:

Chairman  
Vice-Chairman  
Secretary  
Treasurer

Fred Hunt  
Helen Garner  
Marilyn Ewing  
Gaynelle Pitner

Librarian: Pat Hastings

## **INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
Argie Cooper Public Library  
Shelbyville, Tennessee

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, and each major fund of Argie Cooper Public Library (the 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 Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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.

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

Because of the matter discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial position of the aggregate discretely presented component units for the Argie Cooper Public Library as of June 30, 2011, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Argie Cooper Public Library as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Schedule of Funding Progress on page 20 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 regarding the presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Argie Cooper Public Library has not presented the management's discussion and analysis that accounting principles generally accepted in the United States have determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2011, on our consideration of Argie Cooper Public Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Argie Cooper Public Library's financial statements taken as a whole. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards and state financial assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule is fairly stated in all material respects in relation to the financial statements taken as a whole.



October 31, 2011

**STATEMENT OF NET ASSETS**  
**ARGIE COOPER PUBLIC LIBRARY**

June 30, 2011

	Primary Government	Component Units	
	Governmental Activities	Friends of the Library	Library Foundation
<b>ASSETS</b>			
Cash	\$ 24,483.98	\$ 7,514.56	\$ 89,784.57
Accounts receivable	150.00		
Accrued interest	162.05		
Unconditional promises to give, net of uncollectible pledges of \$42,299.50			329,602.50
Prepaid insurance	904.44		
Investments	55,507.98		120,119.24
Capital assets net of accumulated depreciation	442,715.73		243,624.69
TOTAL ASSETS	<u>\$ 523,924.18</u>	<u>\$ 7,514.56</u>	<u>\$ 783,131.00</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 6,150.81		\$ 150.00
Payroll taxes payable	7,414.13		
Unearned grant revenue	2,092.00		
Accrued vacation liability	4,496.18		
Noncurrent liabilities:			
Due within one year	1,363.20		
Not due within one year	5,599.33		
TOTAL LIABILITIES	<u>\$ 27,115.65</u>	<u>\$ -0-</u>	<u>\$ 150.00</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 435,753.20		
Restricted for:			
Construction of new building			\$ 782,981.00
Endowment-expendable	0.00		
Endowment-nonexpendable	43,103.75		
Unrestricted	17,951.58	\$ 7,514.56	
TOTAL NET ASSETS	<u>\$ 496,808.53</u>	<u>\$ 7,514.56</u>	<u>\$ 782,981.00</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 523,924.18</u>	<u>\$ 7,514.56</u>	<u>\$ 783,131.00</u>

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

**STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
ARGIE COOPER PUBLIC LIBRARY**

For the year ended June 30, 2011

	Net (Expense) Revenue and Changes in Net Assets					
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Component Units	
					Primary Government	Friends of the Library
<b>Primary government:</b>						
General government-Library	\$ 305,140.10	\$ 19,709.75	\$ 275,289.49	\$ -0-	\$ (10,140.86)	\$ -0-
<b>Component units:</b>						
Friends of the Library	\$ 3,050.00	\$ 6,905.00	\$ 300.00		\$ 4,155.00	
Library Foundation	1,007.00			\$ 60,761.23		\$ 59,754.23
<b>Total component units</b>	<b>\$ 4,057.00</b>	<b>\$ 6,905.00</b>	<b>\$ 300.00</b>	<b>\$ 60,761.23</b>	<b>\$ -0-</b>	<b>\$ 4,155.00</b>
<b>General revenues:</b>						
Unrestricted investment earnings					\$ 1,060.23	\$ 0.53
Total general revenues					\$ 1,060.23	\$ 1,070.56
Change in net assets					\$ (9,080.63)	\$ 4,155.53
Net assets - beginning					505,889.16	3,359.03
Net assets - ending					<u>\$ 496,808.53</u>	<u>\$ 7,514.56</u>
					<u>\$ 1,060.23</u>	<u>\$ 1,070.56</u>
					<u>\$ 1,060.23</u>	<u>\$ 1,070.56</u>
					<u>\$ (9,080.63)</u>	<u>\$ 4,155.53</u>
					<u>505,889.16</u>	<u>722,156.21</u>
					<u>\$ 496,808.53</u>	<u>\$ 782,981.00</u>

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

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**ARGIE COOPER PUBLIC LIBRARY**

June 30, 2011

	General Fund	Permanent Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 15,075.27	\$ 9,408.71	\$ 24,483.98
Accounts receivable	150.00	-	150.00
Accrued interest and dividends	0.67	161.38	162.05
Prepaid insurance	904.44	-	904.44
Investments	415.40	55,092.58	55,507.98
TOTAL ASSETS	<u>\$ 16,545.78</u>	<u>\$ 64,662.67</u>	<u>\$ 81,208.45</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 6,150.81		\$ 6,150.81
Payroll taxes payable	7,414.13		7,414.13
Unearned grant revenue	2,092.00		2,092.00
TOTAL LIABILITIES	<u>\$ 15,656.94</u>	<u>\$ -</u>	<u>\$ 13,564.94</u>
<b>FUND BALANCES</b>			
Nonspendable - prepaid insurance	\$ 904.44	\$ -	\$ 904.44
Nonspendable - endowment principal	-	43,103.75	43,103.75
Assigned - permanent fund	-	21,558.92	21,558.92
Unassigned	(15.60)	-	(15.60)
TOTAL FUND BALANCES	<u>\$ 888.84</u>	<u>\$ 64,662.67</u>	<u>\$ 65,551.51</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 16,545.78</u>	<u>\$ 64,662.67</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

442,715.73

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

(11,458.71)

\$ 496,808.53

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**ARGIE COOPER PUBLIC LIBRARY**

For the year ended June 30, 2011

	General Fund	Permanent Fund	Total Governmental Funds
<b>SUPPORT AND REVENUES:</b>			
Support:			
Appropriation from Bedford County, Tennessee	\$ 131,962.00		\$ 131,962.00
Appropriation from Shelbyville, Tennessee	130,500.00		130,500.00
TOTAL SUPPORT	<u>\$ 262,462.00</u>	<u>\$ -0-</u>	<u>\$ 262,462.00</u>
Revenues:			
Gifts and memorials	\$ 12,827.49		\$ 12,827.49
Fines	2,218.97		2,218.97
Interest income	47.11	\$ 1,038.58	1,085.69
Book sales	4,923.26		4,923.26
Laminating	40.15		40.15
Equipment use-copy machine	4,726.49		4,726.49
Equipment use-fax	1,767.58		1,767.58
Library cards	733.50		733.50
Lost books/materials	947.49		947.49
Miscellaneous income	4,352.31		4,352.31
Unrealized loss on investment	(25.46)		(25.46)
TOTAL REVENUES	<u>\$ 32,558.89</u>	<u>\$ 1,038.58</u>	<u>\$ 33,597.47</u>
TOTAL SUPPORT AND REVENUES	<u>\$ 295,020.89</u>	<u>\$ 1,038.58</u>	<u>\$ 296,059.47</u>
<b>EXPENDITURES:</b>			
Salaries and benefits	\$ 196,478.08		\$ 196,478.08
Books	22,480.65		22,480.65
Capital outlay/ capital lease	9,771.47		9,771.47
Utilities	13,227.06		13,227.06
Maintenance and repairs	4,596.96		4,596.96
Supplies	11,209.87		11,209.87
Periodicals	4,629.30		4,629.30
Insurance	5,030.78		5,030.78
Audio visual materials	2,487.91		2,487.91
Professional services	4,200.00		4,200.00
Electronic materials	2,777.86		2,777.86
Summer reading program	918.50		918.50
Printing and binding	1,014.35		1,014.35
Communications	7,678.98		7,678.98
Travel and professional dues	3,191.87		3,191.87
Automation and support	3,194.55		3,194.55
Miscellaneous	1,661.04		1,661.04
Bookmobile	1,671.07		1,671.07
Other fees	620.59		620.59
TOTAL EXPENDITURES	<u>\$ 296,840.89</u>	<u>\$ -0-</u>	<u>\$ 296,840.89</u>
NET CHANGE IN FUND BALANCES	\$ (1,820.00)	\$ 1,038.58	\$ (781.42)
FUND BALANCES AT JULY 1, 2010	2,708.84	63,624.09	66,332.93
FUND BALANCES AT JUNE 30, 2011	<u>\$ 888.84</u>	<u>\$ 64,662.67</u>	<u>\$ 65,551.51</u>

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

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

ARGIE COOPER PUBLIC LIBRARY

For the year ended June 30, 2011

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

Net change in fund balances - total governmental funds \$ (781.42)

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized 52,169.94  
Depreciation expense (59,119.54)

The net effect of various miscellaneous transactions involving capital assets is to increase (decrease) net assets:

Sales and abandonments of capital assets (2,096.61)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

Capital lease obligation principal payments 550.85

Some expenses reported in the statement of activities do not require current financial resources and therefore are not reported as expenditures in governmental funds:

Compensated absences 196.15

Change in net assets of governmental activities \$ (9,080.63)

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

**NOTES TO FINANCIAL STATEMENTS**  
**ARGIE COOPER PUBLIC LIBRARY**

June 30, 2011

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Financial Reporting Entity and Introduction

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

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

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

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

(2) Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

NOTES TO FINANCIAL STATEMENTS (Continued)

ARGIE COOPER PUBLIC LIBRARY

June 30, 2011

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

(3) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

It is the Library's policy that restricted amounts would be reduced first followed by unrestricted amounts when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. Also, when expenditures are incurred for purposes for which amounts in committed, assigned, and unassigned fund balance classifications could be used, the Library Board of Trustees will determine the best use of funds based on the specific facts and circumstances at that time.

Net assets are classified into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

NOTES TO FINANCIAL STATEMENTS (Continued)

ARGIE COOPER PUBLIC LIBRARY

June 30, 2011

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(3) Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Invested in capital assets, net of related debt - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of debt is included in the same net assets component as the unspent proceeds.

Restricted - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, donors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

ARGIE COOPER PUBLIC LIBRARY

June 30, 2011

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(4) Budgetary Data

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

(5) Capital Assets

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

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

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

(5) Capital Assets (Continued)

<u>Assets</u>	<u>Years</u>
Books	10
Buildings and improvements	25 - 50
Furniture and equipment	5 - 50
Vehicles	10 - 15

(6) Vacation Pay

The library grants vacation time to full-time employees based on the amount of time they have been employed at the library. Vacation time is available on January 1 of each calendar year, and cannot be carried over from one year to the next. Upon termination, vacation time will not be paid. As of June 30, 2011, the liability for accrued vacation is \$4,496.18 and is recorded in the statement of net assets.

(7) Investments

Investments are carried at fair market value as of June 30, 2011.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**ARGIE COOPER PUBLIC LIBRARY**

June 30, 2011

**NOTE B - CASH DEPOSITS**

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

The Library's deposits at June 30, 2011, were entirely covered by federal depository insurance.

**NOTE C - INVESTMENTS**

<u>General Fund</u>	<u>Amount</u>
Regions Financial Corp. - Common (67 shares)	\$ <u>415.40</u>
<u>Permanent Fund</u>	
<u>Issue Date</u> Certificate of Deposit    January 25, 2011	<u>Maturity Date</u> January 25, 2012
	\$ <u>55,092.58</u>
<u>Library Foundation</u>	
Money Market Funds	\$ <u>120,119.24</u>

**NOTE D - PROMISES TO GIVE**

Unconditional promises to give of the Foundation consist of the following:

Amounts pledged for construction of new building	\$ 371,902.00
Less provision for uncollectible pledges	<u>42,299.50</u>
	<u>\$ 329,602.50</u>

Amounts due in more than one year do not have a discount factor applied since the discounted amount is not deemed significant.

**NOTE E - COMMITMENTS AND CONTINGENCIES**

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

**NOTE F - COMMERCIAL INSURANCE**

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

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**ARGIE COOPER PUBLIC LIBRARY**

June 30, 2011

NOTE G - CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 112,500.00	\$ -0-	\$ -0-	\$ 112,500.00
Capital assets, being depreciated:				
Buildings	\$ 356,582.74	\$ 815.31	\$ -0-	\$ 357,398.05
Books	428,008.70	47,701.46	57,800.03	417,910.13
Furniture	46,799.54	-0-	-0-	46,799.54
Fixtures	58,754.59	-0-	-0-	58,754.59
Equipment	<u>72,479.17</u>	<u>3,653.17</u>	<u>5,369.06</u>	<u>70,763.28</u>
Total capital assets being depreciated	\$ 962,624.74	\$ 52,169.94	\$ 63,169.09	\$ 951,625.59
Less accumulated depreciation for:				
Buildings	\$ 299,792.78	\$ 7,206.39	\$ -0-	\$ 306,999.17
Books	226,297.41	44,004.04	57,800.03	212,501.42
Furniture	22,971.44	1,103.97	-0-	24,075.41
Fixtures	38,659.11	1,337.19	-0-	39,996.30
Equipment	<u>35,642.06</u>	<u>5,467.95</u>	<u>3,272.45</u>	<u>37,837.56</u>
Total accumulated depreciation	<u>\$ 623,362.80</u>	<u>\$ 59,119.54</u>	<u>\$ 61,072.48</u>	<u>\$ 621,409.86</u>
Total capital assets, being depreciated, net	<u>\$ 339,261.94</u>	<u>\$ (6,949.60)</u>	<u>\$ 2,096.61</u>	<u>\$ 330,215.73</u>
Governmental activities capital assets, net	<u>\$ 451,761.94</u>	<u>\$ (6,949.60)</u>	<u>\$ 2,096.61</u>	<u>\$ 442,715.73</u>

On June 30, 2000, the library received a tract of land donated by the City of Shelbyville valued at \$107,500.00. The tract of land is to be used as the site of the new library building. The warranty deed comes with the stipulation that construction on the library must begin within five years from the date of the deed or the land will revert back to the City of Shelbyville. The term on that deed was extended, and expired on June 30, 2010. The Library is currently working with the City to obtain an additional extension.

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

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**ARGIE COOPER PUBLIC LIBRARY**

June 30, 2011

NOTE G - CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 47,000.00	\$ -0-	\$ -0-	\$ 47,000.00
Capital assets, being depreciated:				
Buildings	\$ 186,330.10	\$ 10,294.59	\$ -0-	\$ 196,624.69
Less accumulated depreciation for:				
Buildings	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Total capital assets, being depreciated, net	<u>\$ 186,330.10</u>	<u>\$ 10,294.59</u>	<u>\$ -0-</u>	<u>\$ 196,624.69</u>
Foundation capital assets, net	<u>\$ 233,330.10</u>	<u>\$ 10,294.59</u>	<u>\$ -0-</u>	<u>\$ 243,624.69</u>

NOTE H - PENSION PLAN

A. Plan Description

Employees of Argie Cooper 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 10 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 ten 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 Argie Cooper 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, 10<sup>th</sup> Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**ARGIE COOPER PUBLIC LIBRARY**

June 30, 2011

NOTE H - PENSION PLAN (Continued)

**B. Funding Policy**

Argie Cooper Public Library requires employees to contribute 5.0 percent of earnable compensation.

Argie Cooper Public Library is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2011 was 0.00% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Argie Cooper Public Library is established and may be amended by the TCRS Board of Trustees.

**C. Annual Pension Cost**

For the year ending June 30, 2011, Argie Cooper Public Library's annual pension cost of \$0 to TCRS was equal to Argie Cooper Public Library'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 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent 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. Argie Cooper 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 11 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

TREND INFORMATION

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
6/30/11	\$ -0-	100%	\$ -0-
6/30/10	-0-	100	-0-
6/30/09	-0-	100	-0-

**D. Funded Status and Funding Progress**

As of July 1, 2009, the most recent actuarial valuation date, the plan was 129.33% percent funded. The actuarial accrued liability for benefits was \$0.2 million, and the actuarial value of assets was \$0.3 million, resulting in an unfunded actuarial accrued liability (UAAL) of (\$0.1) 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 -60.95% percent.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**ARGIE COOPER PUBLIC LIBRARY**

June 30, 2011

NOTE H - PENSION PLAN (Continued)

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs 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.

NOTE I - CAPITAL LEASE

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

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

Asset:	
Equipment	\$ 7,699.00
Less: Accumulated Depreciation	<u>(1,076.08)</u>
Total	<u>\$ 6,622.92</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011, were as follows:

Year Ending <u>June 30</u>	<u>Governmental Activities</u>
2012	\$ 5,516.16
2013	5,516.16
2014	<u>4,299.82</u>
Total minimum lease payments	\$ 15,332.14
Less: amount representing interest	<u>(8,369.61)</u>
Present value of minimum lease payments	<u>\$ 6,962.53</u>

Long-term liability activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Noncurrent liabilities	\$ 7,513.38	-0-	\$ 550.85	\$ 6,962.53	\$ 1,363.20

**REQUIRED SUPPLEMENTARY INFORMATION**

**ARGIE COOPER PUBLIC LIBRARY**

June 30, 2011

**Political Subdivision Pension Plan  
Schedule of Funding Progress**

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability - Entry Age (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
07/01/09	\$ 309	\$ 239	\$(70)	129.33 %	\$ 115	-60.95 %
07/01/07	285	209	(76)	136.36	109	-69.72

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.

**SUPPLEMENTARY INFORMATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
**ARGIE COOPER PUBLIC LIBRARY**

Year ended June 30, 2011

Grantor Agency	CFDA Program Name	Contract Number	Beginning Accrued	Cash Receipts	Expenditures	Ending Accrued
Institute of Museum and Library Services(1)	Grants to States	45.310 30504-00311-04	\$ -	\$ 2,092.00	\$ -	\$ 2,092.00
	TOTAL FEDERAL AWARDS		\$ -	\$ 2,092.00	\$ -	\$ 2,092.00
<u>FEDERAL AWARDS</u>						
<u>STATE FINANCIAL ASSISTANCE</u>						
None			\$ -	\$ -	\$ -	\$ -
	TOTAL STATE FINANCIAL ASSISTANCE		\$ -	\$ -	\$ -	\$ -
	TOTAL STATE AND FEDERAL AWARDS		\$ -	\$ 2,092.00	\$ -	\$ 2,092.00

**Note 1:** This Schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of Argie Cooper Public Library under programs of the federal and state governments for the year ended June 30, 2011. The schedule is presented using the modified accrual basis of accounting.

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

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

Board of Trustees  
Argie Cooper Public Library  
Shelbyville, Tennessee

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units and each major fund of Argie Cooper Public Library as of and for the year ended June 30, 2011, which collectively comprise Argie Cooper Public Library's basic financial statements and have issued our report thereon dated October 31, 2011. Our report was modified to disclaim an opinion on the aggregate discretely presented component units. 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. As described in our report on Argie Cooper Public Library's financial statements the aggregate discretely presented component units were not audited. Therefore, this report does not include the results of testing of internal control over financial reporting or compliance and other matters of the aggregate discretely presented component units.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Argie Cooper Public Library's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Argie Cooper Public Library's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Argie Cooper 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, we identified the following deficiencies in internal control over financial reporting that we consider to be material weaknesses:

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

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

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

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

*Recommendation:* We acknowledge that the limited number of personnel precludes ideal segregation of duties for the functions listed above. However, we recommend that, whenever possible, responsibilities be reassigned to provide for adequate segregation of duties. One control that could be added to mitigate this deficiency would be to have someone else prepare or at least review bank reconciliations.

*Management Response:* We feel the cost to fully correct this internal control deficiency would exceed the benefits. However, we will, whenever possible, separate duties.

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.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Argie Cooper 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*.

Argie Cooper Public Library's responses to the findings identified in our audit are described above. We did not audit Argie Cooper Public Library's response and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Library Board of Trustees and government oversight organizations and is not intended to be and should not be used by anyone other than these specified parties.

*Winnett Associates, LLC*

October 31, 2011