

Savannah Housing Authority
Audited Financial Statements
For The Year Ended
June 30, 2010



**ELMA ROSS PUBLIC LIBRARY
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FOR THE YEAR ENDED JUNE 30, 2011**

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**Haywood County – Elma Ross Public Library
Year Ended June 30, 2011**

Members of the Board of Directors:

**Katherine Horn, Director
Julia Dalhauser
Mark Dyer
Amy W. Harris
Goldie S. Harwell
Della D. Ligon
John Muether
Allen Sterbinsky
Marty Williams**

**Michael Banks
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**Cowart Reese Sargent, PC
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Elma Ross Public Library

We have audited the accompanying financial statements of the governmental activities and each major fund of the Elma Ross 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 Elma Ross Public Library's management. 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 *Governmental 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 previously present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Elma Ross Public Library as of June 30, 2011, the respective changes in financial position and the fund statement of budgetary comparison information for the year 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 March 6, 2012 on our consideration of the Elma Ross 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 on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis and budgetary comparison information* as listed in the table of contents 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Elma Ross Public Library's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.. The introductory section is presented for purpose of additional analysis and is not a required part of the basic financial statements and, accordingly, we express no opinion on it.



Certified Public Accountant
Cowart Reese Sargent, PC

Brownsville, Tennessee
March 6, 2012

**The Elma Ross Public Library
Management's Discussion and Analysis
June 30, 2011**

As management of the Elma Ross Public Library, we offer readers of the Elma Ross Public Library's financial statements this narrative overview and analysis of the financial activities of the Elma Ross Public Library for the fiscal year ended June 30, 2011.

Financial Highlights

The assets of the Elma Ross Public Library exceeded its liabilities by \$453,989 (net assets) at end of the fiscal year. Thirty-six percent of this amount may be used to meet the Library's ongoing obligations to citizens and creditors.

The Library's total net assets decreased by \$52,980. Most of this decrease is due to increase in depreciation expenses.

Books contributed to the Library amounted to \$34,687 by Regional Library and individuals.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Elma Ross Public Library's basic financial statements. The Elma Ross Public Library's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the Elma Ross Public Library. These financial statements are constructed around the concept of a primary government and changes in net assets similar to a commercial enterprise financial statements.

The *Library's government-wide* financial statements include the statement of net assets and statement of activities which are prepared using accounting principles that are similar to commercial enterprises. The purpose of statement of net assets is to attempt to report all of the assets held and liabilities owed by the Library. The Library reports all of its assets when it acquires ownership over the assets and reports all of its liabilities when they are incurred.

The difference between the Library's total assets and total liabilities is labeled as net assets and this difference is similar to the total owner's equity presented by a commercial enterprise. Although the purpose of the Library is not to accumulate net assets, in general, the changes in net assets indicates whether the financial position of the is improving or deteriorating over time.

The purpose of the statement of activities is to present the revenues and expenses of the Library. The items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the Library. Thus, revenues are reported even when they may not be collected for several months after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

Although the statement of activities looks different from a commercial enterprise's income statement, the financial statements is different only in format, not substance. The bottom line in a commercial enterprise is net income and the Library reports an amount described as change in net assets, essentially the same thing.

The focus of the statement of activities is on the net cost of various activities provided by the Library. The statement begins with a column that identifies the cost of each of the Library's major functions. Another column identifies the revenues that are specifically related to the classified governmental functions. The difference between the expenses and revenues related to specific program/ activities computes the net cost or benefits of the programs/activities, which identifies the extent to which each function of the Library draws from general revenues or is self financing through fees, intergovernmental aid, and other sources of resources.

**The Elma Ross Public Library
Management's Discussion and Analysis
June 30, 2011**

The Library's government-wide financial statements includes only the primary government which includes the governmental activities. Governmental activities are generally financed through the City of Brownsville and Haywood County and other revenues.

The Library's government-wide financial statements are presented on pages 9 through 10 .

Fund Financial Statements

Fund financial statements focus is on specific activities rather than the Library as whole.

Governmental fund financial statements consist of a balance sheet and statement of revenues, expenditures, and change in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted to cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as equipment. Fund liabilities include amounts that are to be paid within a very short period after the end of fiscal year. The difference between a fund's total assets and total liabilities is labeled as the fund balance, and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected or paid cash respectively, during the current period or very shortly after the end of the year.

Balances and activities accounted for in governmental funds are reported in the government-wide financial statements. Therefore, different accounting bases are used to prepare fund financial statements and government-wide financial statements, there are often significant differences between the totals presented in these financial statements. For this reason an analysis at the bottom of the balance sheet that reconciles the the total fund balances to the amount of net assets presented in the governmental activities column on the statement of net assets. Also, there is an analysis following the statement of revenues, expenditures, and changes in fund balances that reconciles the total change in fund balances for all governmental funds to the change in net assets as reported in the governmental activities column in the statement of activities.

The Library's governmental fund financial statements are presented on pages 11 through 13.

Notes to the Financial Statements

The notes of the financial statements provide additional information that is essential to a full understanding of data in the government-wide and fund financial statements. Notes are on pages 14 through 18 of this report.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Elma Ross Public Library, assets exceeded liabilities by \$453,989 at the close of the most recent fiscal year.

	Net Assets - Primary Government Governmental Activities			
	<u>2011</u>	<u>2010</u>	<u>Variance</u>	<u>Variance %</u>
Current and Other Assets	\$ 163,463	\$ 167,584	\$ (4,121)	97.541%
Capital Assets	<u>292,337</u>	<u>341,694</u>	<u>(49,357)</u>	85.555%
Total Assets	455,800	509,278	(53,478)	89.499%
Other Liabilities	<u>1,811</u>	<u>2,309</u>	<u>(498)</u>	78.432%
Total Liabilities	1,811	2,309	<u>(498)</u>	78.432%

**The Elma Ross Public Library
Management's Discussion and Analysis
June 30, 2011**

Net Assets:				
Invested in Capital Assets, net of related debt	292,337	341,694	(49,357)	85.555%
Unrestricted	<u>161,652</u>	<u>165,275</u>	<u>(3,623)</u>	97.808%
 Total Net Assets	 <u>\$ 453,989</u>	 <u>\$ 506,969</u>	 <u>\$ (52,980)</u>	 89.550%

The Elma Ross Public Library 's capital assets reflects 65% of net assets. The Elma Ross Public Library uses capital assets to provide services to citizens; consequently these assets are not available for future spending.

The remaining balance of unrestricted net assets may be used to meet the Library's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Elma Ross Public Library is able to report a positive balance in net asset. The same is true for the prior fiscal year.

Governmental Activities

Governmental activities decreased the Library's net assets by \$52,980. Key elements of this decrease are as follows:

Changes in Net Assets				
	Governmental 2011	2010	Variance	Variance %
Revenues:				
Charges for Services	\$ 5,085	\$ 5,473	\$ (388)	92.911%
City and County	138,836	139,080	(244)	99.825%
Contributions and Operating Grants	17,123		17,123	#DIV/0!
Capital Contributions	34,687	23,449	11,238	147.925%
General Revenues:				
Gifts and Memorials	10	420	(410)	2.381%
Interest	869	2,125	(1,256)	40.894%
Rent	2,170	2,480	(310)	87.500%
Miscellaneous	2,052	1,442	610	142.302%
Total Revenues	<u>200,832</u>	<u>174,469</u>	<u>26,363</u>	115.110%
Expenses:				
General Government	<u>253,812</u>	<u>226,222</u>	<u>27,590</u>	112.196%
Total Expenses	<u>253,812</u>	<u>226,222</u>	<u>27,590</u>	112.196%
 Decrease in Net Assets	 (52,980)	 (51,753)	 (1,227)	 102.371%
Net Assets - Beginning	506,969	558,722	(51,753)	90.737%
 Net Assets - Ending	 <u>\$ 453,989</u>	 <u>\$ 506,969</u>	 <u>\$ (52,980)</u>	 89.550%

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the Elma Ross Public Library's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Elma Ross Public Library's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

**The Elma Ross Public Library
Management's Discussion and Analysis
June 30, 2011**

**Asset, Liabilities, and Fund Balances
Total Governmental Funds**

	<u>2011</u>	<u>2010</u>	<u>Variance</u>	<u>Variance %</u>
Total Assets	\$ 163,463	\$ 167,584	\$ (4,121)	97.541%
Total Liability	1,811	2,309	(498)	78.432%
Fund Balance:				
Unrestricted	161,652	165,275	(3,623)	97.808%
Total Fund Balance	161,652	165,275	(3,623)	97.808%
Total Liabilities and Fund Balance	\$ 163,463	\$ 167,584	\$ (4,121)	97.541%

As of the end of the current fiscal year, the Elma Ross Public Library's governmental funds reported fund balance of \$161,652, a decrease of \$3,623 in comparison with the prior year. All of this amount constitutes unreserved fund balance, which is available for spending at the library's discretion.

Key factors in the decrease are as follows:

**Changes in Fund Balances of Governmental Funds
For the Year Ended June 30, 2011**

	<u>2011</u>	<u>2010</u>	<u>Variances</u>	<u>Variances %</u>
Revenues				
City of Brownsville	\$ 69,418	\$69,540	(122)	99.82%
Haywood County	69,418	69,540	(122)	99.82%
Grants	17,123	1,500	15,623	1141.53%
Gifts and Memorials	10	420	(410)	2.38%
Fines, Copies and Other Sources	5,085	2,125	2,960	239.29%
Rent	2,170	2,480	(310)	87.50%
Interest	869	1,442	(573)	60.26%
Miscellaneous	2,052	5,473	(3,421)	37.49%
Total Revenues	166,145	152,520	13,625	108.93%
Expenditures				
Administrative Salaries	64,889	65,131	(242)	99.63%
Maintenance Staff Salaries	10,697	10,892	(195)	98.21%
Payroll Taxes	6,339	6,920	(581)	91.60%
Workers Compensation	603		603	100.00%
Pension Expense	5,120	5,729	(609)	89.37%
Contracted Services	3,942	5,962	(2,020)	66.12%
Computer Expense	7,009	2,533	4,476	276.71%
Capital Outlay - Books	4,478	5,563	(1,085)	80.50%
Capital Outlay - Equipment		2,446	(2,446)	0.00%
Insurance	12,353	10,054	2,299	0.00%
Professional Fees	1,750	1,500	250	100.00%
Periodicals	1,954	2,076	(122)	94.12%
Genealogy	299	319	(20)	93.73%
Audiovisuals	1,052	251	801	100.00%
Continuing Education	1,386	0	1,386	100.00%
Telephone	3,316	2,947	369	112.52%
Utilities	13,200	11,981	1,219	110.17%
Maintenance & Repairs Bldg	27,144	3,612	23,532	751.50%
Supplies	2,610	2,257	353	115.64%
Miscellaneous	1,627	2,633	(1,006)	61.79%
Total Expenditures	169,768	142,806	26,962	118.88%
Net Change in Fund Balance	(3,623)	9,714	(13,337)	-37.30%
Fund Balance - Beginning of Year	165,275	155,561	9,714	106.24%
Fund Balance - End of Year	\$ 161,652	\$ 165,275	\$ (3,623)	97.81%

**The Elma Ross Public Library
Management's Discussion and Analysis
June 30, 2011**

The fund balance of the Elma Ross Public Library decreased by \$3,623 during the current fiscal year. The key factors in the reduction of fund balance are:

- Amount of grant received increased by \$15,623.
- Maintenance and repairs on Building expenses increased by \$23,532.

General Fund Budgetary Highlights

There was no difference between the original and the final budget. We were told in a meeting by the auditors that the budget should be set for all revenues and expenditures and amendments should be made, if necessary, if expenditures exceed appropriations.

Total expenditures exceeded total appropriations, and total expenditures exceeded total revenues.

Capital Asset

The Elma Ross Public Library's investment in capital assets for the governmental activities as of June 30, 2011 is \$292,337 (net of depreciation). This investment in capital assets includes equipment, books and periodicals.

Major capital assets events during the current fiscal year included the following:

- Books contribution worth \$34,687 by Regional Library and individuals, and books purchased were \$4,478.
- Computers and peripherals purchased were \$5,984.
- Books and related depreciation worth of \$900 were deleted.
- Computer and peripherals deleted for \$22,232. These is the result of an updated and actual physical count by the Director.

Additional information on the Elma Ross Public Library's capital assets can be found in note III.A.2. on pages 17.

Library Capital Assets (net of Depreciation)

	2011	2010
Equipment	\$ 18,056	\$ 17,537
Books	274,281	324,157
Total Capital Assets	\$ 292,337	\$ 341,694

Request for Information

This financial report is designed to provide a general overview of the Elma Ross Public Library's finances for all those with an interest in the Library's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to:

Elma Ross Public Library, 1011 East Main Street, Brownsville, TN., 38012.

THE ELMA ROSS PUBLIC LIBRARY
STATEMENT OF NET ASSETS
June 30, 2011

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>TOTAL</u>
ASSETS		
Current Assets		
Cash	\$134,446	\$134,446
Certificate of Deposits	28,963	28,963
Other Assets	54	54
Total Current Assets	<u>163,463</u>	<u>163,463</u>
Noncurrent Assets		
Property and Equipment	81,897	81,897
Books and Periodicals	938,080	938,080
Less Accumulated Depreciation	(727,640)	(727,640)
Total Noncurrent Assets	<u>292,337</u>	<u>292,337</u>
Total Assets	<u>455,800</u>	<u>455,800</u>
LIABILITIES		
Current Liabilities		
Accrued Payroll Taxes	<u>1,811</u>	<u>1,811</u>
Total Liabilities	<u>1,811</u>	<u>1,811</u>
NET ASSETS		
Invested in Capital Assets	292,337	292,337
Unrestricted Net Assets	<u>161,652</u>	<u>161,652</u>
Total Net Assets	<u><u>\$453,989</u></u>	<u><u>\$453,989</u></u>

Notes to the financial statements are an integral part of this statement.

THE ELMA ROSS PUBLIC LIBRARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets Primary Government		
	Expenses	Charges for Services	City & County	Operating Contributions and Grants	Capital Contributions and Grants	Governmental Activities	Total
Functions and Programs							
Primary Government:							
Governmental Activities:							
General Government	\$ 253,812	\$ 5,085	\$ 138,836	\$ 17,123	\$ 34,687	\$ (58,081)	\$ (58,081)
Total Government Activities	253,812	5,085	138,836	17,123	34,687	(58,081)	(58,081)
Total Primary Government	<u>\$ 253,812</u>	<u>\$ 5,085</u>	<u>\$ 138,836</u>	<u>\$ 17,123</u>	<u>\$ 34,687</u>	<u>(58,081)</u>	<u>(58,081)</u>
			General Revenues:				
			Gifts and Memorials			10	10
			Interest			869	869
			Rent			2,170	2,170
			Miscellaneous			2,052	2,052
			Total General Revenues			<u>5,101</u>	<u>5,101</u>
			Change in Net Assets			(52,980)	(52,980)
			Net Assets - Beginning			506,969	506,969
			Net Assets - Ending			<u>\$ 453,989</u>	<u>\$ 453,989</u>

Notes to the financial statements are an integral part of this statement.

THE ELMA ROSS PUBLIC LIBRARY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General	Total Governmental Funds
ASSETS		
Cash	\$ 134,446	\$ 134,446
Certificate of Deposits	28,963	28,963
Other Assets	54	54
	163,463	163,463
 LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accrued Payroll Taxes	1,811	1,811
	1,811	1,811
Fund Balances:		
Unassigned	161,652	161,652
	161,652	161,652
 Total Liabilities and Fund Balances	 \$ 163,463	 163,463

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 governmental funds:

Governmental capital assets	1,019,977	
Less Accumulated Depreciation	(727,640)	292,337
Net Assets of Governmental Activities		\$ 453,989

**THE ELMA ROSS PUBLIC LIBRARY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>General</u>	<u>Total Governmental Funds</u>
Revenues:		
City of Brownsville	\$ 69,418	\$ 69,418
Haywood County	69,418	69,418
Grants	17,123	17,123
Gifts and Memorials	10	10
Fines, Copies and Other Sources	5,085	5,085
Rent	2,170	2,170
Interest	869	869
Miscellaneous	2,052	2,052
	<hr/>	<hr/>
Total Revenues	166,145	166,145
Expenditures:		
Administrative Salaries	64,889	64,889
Maintenance Staff Salaries	10,697	10,697
Payroll Taxes	6,339	6,339
Workers Compensation	603	603
Pension Expense	5,120	5,120
Cotracted Services	3,942	3,942
Computer Expense	7,009	7,009
Capital Outlay - Books	4,478	4,478
Insurance	12,353	12,353
Professional Fees	1,750	1,750
Periodicals	1,954	1,954
Genealogy	299	299
Audiovisuals	1,052	1,052
Continuing Education	1,386	1,386
Telephone	3,316	3,316
Utilities	13,200	13,200
Maintenance & Repairs Bldg	27,144	27,144
Supplies	2,610	2,610
Miscellaneous	1,627	1,627
	<hr/>	<hr/>
Total Expenditures	169,768	169,768
Net Change in Fund Balance	(3,623)	(3,623)
Fund Balance - Beginning of Year	165,275	165,275
	<hr/>	<hr/>
Fund Balance - End of Year	\$ 161,652	\$ 161,652

Notes to financial statements are an integral part of this statement.

THE ELMA ROSS PUBLIC LIBRARY
RECONCILIATION OF THE STATEMENT OF REVEUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Net change in total fund balances per fund financial statements		\$	(3,623)
Amounts reported for governmental activities in the statement of activities are different because:			
Revenues that are not available to pay current obligations are not reported in this fund financial statement, but they are presented in the statement of net assets.			
Contribution of Books			34,687
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives.			
Expenditures for capital assets	10,462		
Less Current year depreciation	(94,506)		(84,044)
Change in Net Assets of Governmental Activities		\$	<u>(52,980)</u>

Notes to financial statements are an integral part of this statement.

THE ELMA ROSS PUBLIC LIBRARY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
City of Brownsville	\$ 69,418	\$ 69,418	\$ 69,418	\$ -
Haywood County	69,418	69,418	69,418	-
Grants		-	17,123	17,123
Gifts & Memorials		-	10	10
Fines, Copies, and Other Sources		-	5,085	5,085
Rent		-	2,170	2,170
Interest		-	869	869
Miscellaneous		-	2,052	2,052
	<u>138,836</u>	<u>138,836</u>	<u>166,145</u>	<u>27,309</u>
Expenditures:				
Administrative Salaries	50,604	50,604	46,739	3,865
Maintenance Staff Salaries	10,760	10,760	10,697	63
Circulation Salaries	14,562	14,562	15,060	(498)
Payroll Taxes	4,985	4,985	5,878	(893)
Insurance - Employees	6,191	6,191	9,196	(3,005)
Pension Expense	6,131	6,131	5,120	1,011
Longevity	2,520	2,520	3,090	(570)
Workers Compensation	650	650	603	47
State Unemployment Taxes	372	372	461	(89)
Supplies	2,500	2,500	2,610	(110)
Pringing	100	100	-	100
Computer Expense	600	600	7,009	(6,409)
Capital Outlay - Books	5,000	5,000	4,478	522
Professional Fees	1,730	1,730	1,750	(20)
Periodicals	2,000	2,000	1,954	46
Geneology	600	600	299	301
Audiovisuals	1,341	1,341	1,052	289
Continuing Education	1,200	1,200	1,386	(186)
Telephone	10,760	10,760	3,316	7,444
Utilities	13,700	13,700	13,200	500
Maintenance Bldg	1,500	1,500	26,917	(25,417)
Maintenance & Repairs	1,196	1,196	227	969
Pest Control	620	620	160	460
Insurance - Liability	3,200	3,200	3,157	43
Contracted Services	3,074	3,074	3,942	(868)
Miscellaneous	600	600	1,467	(867)
	<u>146,496</u>	<u>146,496</u>	<u>169,768</u>	<u>(23,272)</u>
Net Change in Fund Balance	(7,660)	(7,660)	(3,623)	4,037
Fund Balance - Beginning	165,275	165,275	165,275	-
Fund Balance - Ending	<u>\$ 157,615</u>	<u>\$ 157,615</u>	<u>\$ 161,652</u>	<u>\$ (4,037)</u>

Notes to financial statements are an integral part of this statement.

**ELMA ROSS PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2011**

1.A.1 INTRODUCTION

The Elma Ross Public Library is a joint venture of Haywood County and the city of Brownsville. Members of Board of Director of the Library are appointed by the County Commission and the Brownsville City Council. The library provides services to Brownsville and Haywood areas.

The accounting and reporting framework and the more significant accounting principles and practices of the Elma Ross Public Library are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations, including required disclosures, of the Library's financial activities for the fiscal year ended June 30, 2011.

I.B.1 GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Library as a whole. The primary government is presented separately within the financial statements with the focus on the primary government.

The statement of activities reports the revenues of a given function offset by program expenses directly connected with the functional program. A function is an assembly of similar activities that capture expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees from fines, copies and other charges to users of the Library's services; and (2) operating grants which finance annual operating activities.

Fund Financial Statements

Fund financial statements are provided for the governmental fund which is considered a major fund. There are no non-major funds that should be reported in a separate column.

I.B.2 MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENTS

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 recognized 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.

Government fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Library's revenues are recognized when they become measurable and available. Expenditures are generally recognized when the related liability is incurred. The Library does not use the encumbrance method to accrue liabilities.

I.B.3. FUND TYPES AND MAJOR FUNDS

Government Funds

General Fund reports and is the primary fund and is used to count for all financial resources.

**ELMA ROSS PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2011**

I.C.1. CASH AND CASH EQUIVALENTS

The Library reports and considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Exceptions include certificates of deposits with a maturity of twelve months. Cash equivalents are stated at cost plus and accrued interest, which approximates market value. The maximum amount placed in any one financial institution is limited to reduce exposure risk. The Library does not have a deposit policy for custodial credit risk.

State statutes authorize the Library to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasury Investment Pool. Investment of the Library is reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

I.C.2. PREPAIDS

Prepaid assets are payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Prepaid assets are reported in government-wide and fund financial statements.

I.C.3. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principle in the United State of America requires the management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Therefore, actual results could differ from those estimates.

I.C.4. CAPITAL ASSETS AND DEPRECIATION

The Library reports property, plant, and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Library generally capitalizes assets with purchase cost of \$1,000.00 or more. The cost of normal maintenance and repairs that do not add value to the asset or materially extend useful live are not capitalized. Capital Assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recognized in non-operating sections. Estimated useful live for each type of assets are as follows:

<u>Capital Asset Categories</u>	<u>Useful Lives – Per Years</u>
Building	30 - 40
Improvements	30 – 40
Furniture, Machinery, and Equipment	5 – 10
Books and Periodicals	7 – 10

**ELMA ROSS PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2011**

I.C.5. FUND EQUITY

The Library implemented GASB Statement No. 54. This statement provides more clearly fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints:

- 1.) Non-spendable fund balance – amounts that are not in spendable form (such as inventory and invested in capital asset net of accumulated depreciation) or are required to be maintained intact.
- 2.) Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher level of government), through constitutional provisions, or by spending legislation.
- 3.) Committed fund balance – amounts constrained to specific purposes by the Library itself, using its highest level of decision making authority, the Board of Director. To be reported as committed, amounts cannot be used for any other purpose unless the Board takes the same highest level of action to remove or change the constraint.
- 4.) Assigned fund balance – amount the Library intends to use for specific purpose. Intent can be expressed by Board of Directors or by an official or body to which the Board delegates the authority.
- 5.) Unassigned fund balance – amount that are available for any purpose.

Assigned fund balance is established by the Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets or other purposes).

II.A. BUDGETARY INFORMATION

II.A.I. BUDGETARY POLICY AND PRACTICE

The Library Director submits an annual budget to the Board of Directors. Also, the City Council and the County Commission review and approve the allocation of resources. Once approved by the Board of Directors, the City Council and the County Commission, the legally adopted budget can be amended when unexpected modifications are required in estimated revenues and expenditures.

II.B.2 BASIS OF BUDGETING

The budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by class such as: salaries, compensation related services and supplies, computer and equipment supplies, core material, and miscellaneous. Expenditures may not exceed appropriations.

The budget for the operating funds is prepared on the cash and expenditure basis. Revenues are budgeted in the year receipt is expected to be received, and expenditures are budgeted in the year that the applicable purchase orders are expected to be issued.

**ELMA ROSS PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2011**

III. DETAILED NOTES ON FUNDS

III.A. ASSETS

III.A.I. DEPOSITS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event a bank failure occurs, the deposits may not be returned to the depositor. The Library does not have a deposit policy for custodial credit risk. As of June 30, 2011, the Library's cash and cash equivalents of \$163,409 is insured by FDIC.

III.A.2. CAPITAL ASSETS

Changes in Capital Assets – The following table provides a summary of changes is as follows:

Capital Assets Depreciated

	Equipment	Books	Total
Primary Government Government Activities			
Balance June 30, 2010	\$ 98,145	\$ 899,815	\$ 997,960
Increases - Purchased	5,984	4,478	10,462
Increases - Contributed		34,687	34,687
Decreases	(22,232)	(900)	(23,132)
Balance June 30, 2011	<u>81,897</u>	<u>938,080</u>	<u>1,019,977</u>
Accumulated Depreciation			
Balance June 30, 2010	80,608	575,658	656,266
Increases	4,614	89,892	94,506
Decreases	(22,232)	(900)	(23,132)
Balance June 30, 2011	<u>62,990</u>	<u>664,650</u>	<u>727,640</u>
Governmental Activities			
Capital Assets - Net	<u>\$ 18,907</u>	<u>\$ 273,430</u>	<u>\$ 292,337</u>

The purchased and contributed books by Regional Library and individuals are capitalized.

III.B.1. RISK MANAGEMENT – CLAIMS AND ADJUSTMENTS

The Library manages its financing risk through the purchase of insurance. The exposure to loss is limited to the contents of the Library and any workman's compensation claims. In the past three years, there have been no insurance settlements nor claims filled by the Library.

III.B.2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Prior to May 15 of each year, the Library Director formally submits to the Board of Directors, City Council and County Commission a proposed operating budget for the fiscal year commencing the following July 1. Public hearings are conducted by the Board of Directors to obtain citizens comments on the budget. Prior to June 30, the budget is legally enacted through passage of an ordinance.

**ELMA ROSS PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2011**

Budgeted amounts shown are those originally adopted, as well as the final budgets which reflect amendments by the Board of Directors.

Total expenditures may not exceed the total amount appropriated in the budget ordinance. Revisions that alter the total appropriations for any fund must be approved through the passage of an ordinance by the Board of Directors. All annual appropriations lapse at year end.

During the year ending June 30, 2011, expenditures exceeded the budgeted amounts as follows:

- Computer Expenses
- Capital Outlay – Books
- Periodicals
- Maintenance
- Contract Services
- Maintenance Salaries
- Payroll Taxes
- Miscellaneous

IV.A. OTHER INFORMATION

IV.A.1. LITIGATION

As of June 30, 2011, the Library has no pending litigations.

IV.A.2. CONTINGENT LIABILITIES AND LOSSES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state awarding governments. Any disallowed claims, including amounts already collected, may constitute a liability of the Library. The amounts, if any, of expenditure which may be disallowed by the grantor cannot be determined at this time although the Library's director expects such amounts, if any, to be immaterial.

IV.A.3. SUBSEQUENT EVENTS

Subsequent events are those events or transactions that occur subsequent to the financial statement. Subsequent events have been evaluated through August 2011. There are no significant events notes.

ELMA ROSS PUBLIC LIBRARY
SCHEDULE OF EXPENDITURES OF STATE AWARDS
June 30, 2011

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	State Contract Number	Beginning Balance	Receipts	Expenditures	Ending Balance
Tennessee State Library and Archives Operating Grant	2883	30504-00111-16		\$ 15,138	\$ 15,138	\$ -
Tennessee State Library and Archives Tech Grant	45.310	30504-00510-24		1,685	1,685	-
			\$ -	\$ 1,685	\$ 16,823	\$ -

Notes to financial statements are an integral part of this statement.



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

To the Board of Directors of
The Elma Ross Public Library

We have audited the accompanying financial statements of the governmental activities and each major fund of the Elma Ross Public Library, as of and for the year ended June 30, 2011, and have issued our report thereon dated March 6, 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

Management of the Library is responsible for establishing and maintaining internal control over financial reporting. In planning and performing our audit, we considered Elma Ross 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 purpose of expressing an opinion on the effectiveness of the Elma Ross Public Library's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Elma Ross Public Library's internal control over financial reporting.

A *deficiency in internal control* exists when the design of 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 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in the internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Elma Ross 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses.

Elma Ross Public Library's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Elma Ross Public Library's response and, accordingly we express no opinion on it.

This report is intended solely for the information and use of the management, Board of Directors, City Council, federal awarding agencies, and others within the entity, and is not intended to be and should not be used by anyone other than specified parties.



Certified Public Accountant
Cowart Reese Sargent, PC

Brownsville, Tennessee
March 6, 2012.

**ELMA ROSS PUBLIC LIBRARY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011**

Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the accompanying financial statements of Elma Ross Public Library.
2. No instance of material weaknesses or significant deficiencies were disclosed during the audit of financial statements.
3. One instance of noncompliance that was material to the financial statements was disclosed during the audit.

Findings - Financial Statements Audit

2011 - 01

Expenditures Exceeded Appropriated Budgets (Non-Compliance)

Condition:	Expenditures exceeded appropriations allowed by the budget in the general fund.
Criteria:	Tennessee Code Annotated Section 6-56-203 prohibits expenditures of funds except in accordance with authorized budget. Further it requires a budget for all funds.
Effects:	Expenditures in excess of the budgeted amounts are unauthorized.
Recommendations:	We recommend that budgets be reviewed on a regular basis and that appropriate amendments to the adopted budget be made when necessary.
Management Response:	In future periods, we will work to amend the budget when necessary and to adhere to the approved budget.