

**OBION COUNTY PUBLIC LIBRARY**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**JUNE 30, 2012**

# OBION COUNTY PUBLIC LIBRARY

June 30, 2012

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**OBION COUNTY PUBLIC LIBRARY**

June 30, 2012

**BOARD OF TRUSTEES**

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

**ADMINISTRATIVE STAFF**

Michelle Barnes, director  
Danielle Morris, administrative assistant

## **FINANCIAL SECTION**



Certified Public Accountants

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## Independent Auditor's Report

Board of Trustees  
Obion County Public Library  
Union City, Tennessee

We have audited the accompanying financial statements of the governmental activities and each major fund of the Obion County Public Library, as of and for the year ended June 30, 2012, 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.

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 funds of the Obion County Public Library as of June 30, 2012, and the respective changes in financial position and the budgetary comparison for the general fund and the special revenue fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Board of Trustees  
Obion County Public Library

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2012 on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of the 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 the Obion County Public Library's financial statements. The Schedules of Budgetary Comparisons for the General Fund and Special Revenue Fund and the Schedule of Expenditures of Federal Awards and State Assistance are presented for purposes of additional analysis and are not a required part of the financial statements. Such information 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. The 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 to 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 Schedules of Budgetary Comparisons for the General Fund and Special Revenue Fund and the Schedule of Expenditures of Federal Awards and State Assistance are fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Obion County Public Library's basic financial statements. The Introductory Section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Alexander Thompson Arnold PLLC*

Union City, Tennessee  
October 29, 2012

## **BASIC FINANCIAL STATEMENTS**

**OBION COUNTY PUBLIC LIBRARY**  
**STATEMENT OF NET ASSETS**  
June 30, 2012

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 169,551
Restricted investment	5,000
Accrued interest receivable	45
Land	551,934
Other capital assets, net of accumulated depreciation	<u>3,053,562</u>
Total assets	<u>3,780,092</u>
 <b>Liabilities</b>	
Accounts payable	5,848
Payroll taxes payable	189
Unearned grant revenue	<u>2,078</u>
Total liabilities	<u>8,115</u>
 <b>Net Assets</b>	
Invested in capital assets	3,605,496
Restricted for specific purposes	5,000
Unrestricted	<u>161,481</u>
<b>Total net assets</b>	<b><u>\$ 3,771,977</u></b>

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

**OBION COUNTY PUBLIC LIBRARY**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2012

Expenses	
Library operations	<u>\$ 794,879</u>
Program revenues:	
Charges for services	35,757
Operating grants and contributions	501,731
Capital grants and contributions	<u>37,675</u>
Total program revenues	<u>575,163</u>
<b>Net program income (expense)</b>	<b><u>(219,716)</u></b>
General revenues:	
Interest income	5,598
Miscellaneous income	<u>4,700</u>
Total general revenues	<u>10,298</u>
<b>Change in net assets</b>	<b>(209,418)</b>
Net assets - July 1, 2011	<u>3,981,395</u>
Net assets - June 30, 2012	<u><u>\$ 3,771,977</u></u>

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

**OBION COUNTY PUBLIC LIBRARY  
GOVERNMENTAL FUNDS BALANCE SHEET**  
June 30, 2012

	MAJOR		
	General Fund	Special Revenue Fund	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 116,901	\$ 52,650	\$ 169,551
Restricted investment	-	5,000	5,000
Accrued interest receivable	-	45	45
Due from General Fund	-	2,500	2,500
<b>Total assets</b>	<b>\$ 116,901</b>	<b>\$ 60,195</b>	<b>\$ 177,096</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 5,848	\$ -	\$ 5,848
Due to Special Revenue Fund	2,500	-	2,500
Payroll taxes payable	189	-	189
Unearned grant revenue	2,078	-	2,078
Total liabilities	10,615	-	10,615
<b>Fund Balances</b>			
Restricted for specific purpose	-	5,000	5,000
Assigned	-	55,195	55,195
Unassigned	106,286	-	106,286
Total fund balances	106,286	60,195	166,481
<b>Total liabilities and fund balances</b>	<b>\$ 116,901</b>	<b>\$ 60,195</b>	<b>\$ 177,096</b>

Fund Balance Reconciliation

Fund balance of governmental funds	\$ 166,481
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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.

3,605,496

Net assets of governmental activities

\$ 3,771,977

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

**OBION COUNTY PUBLIC LIBRARY**  
**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
For the Year Ended June 30, 2012

	MAJOR		Total
	General Fund	Special Revenue Fund	
<b>Revenues</b>			
Charges for services	\$ 11,146	\$ 24,611	\$ 35,757
City appropriation	167,244	-	167,244
County appropriation	334,487	-	334,487
Grants	19,788	5,000	24,788
Interest income	5,382	216	5,598
Miscellaneous income	-	4,700	4,700
Total revenues	538,047	34,527	572,574
<b>Expenditures</b>			
Current:			
Salaries, taxes and benefits	387,330	-	387,330
Building occupancy and maintenance	81,723	-	81,723
Library materials	20,191	22,365	42,556
Capital outlay:			
Library books	33,615	6,540	40,155
Other	16,709	16,233	32,942
Total expenditures	539,568	45,138	584,706
<b>Net change in fund balances</b>	<b>(1,521)</b>	<b>(10,611)</b>	<b>(12,132)</b>
Fund balances - July 1, 2011	107,807	70,806	178,613
Fund balances - June 30, 2012	\$ 106,286	\$ 60,195	\$ 166,481

Reconciliation to Statement of Activities

Net change in fund balances of governmental funds (above) \$ (12,132)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period. (210,173)

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources. 12,887

Change in net assets of governmental activities \$ (209,418)

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

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

June 30, 2012

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

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

The Library's financial statements have been prepared in conformity with accounting principles generally accepted for governmental entities as set forth in the pronouncements of the *Governmental Accounting Standards Board (GASB)*. Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flow. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statement of activities demonstrates the degree to which the direct expenses of the given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Library has determined a period of availability of 60 days after the end of the current fiscal period. Grant funds, where expenditure is the prime factor for determining eligibility, are recognized as revenue when the expenditure is made. Grant proceeds received after the 60-day period of availability are recorded as deferred revenue. Expenditures under the modified accrual basis of accounting are recorded when the related liability is incurred.

The Library reports the following governmental funds:

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

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

June 30, 2012

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

**C. Assets, Liabilities and Fund Equity/Net Assets**

**Deposits and Investments**

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

**Capital Assets**

Capital assets are included in the government-wide financial statements. Capital assets are defined by the Board as assets with an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Books are grouped by category and depreciated by group. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are expensed as incurred. Capital assets of the Library are depreciated using the straight line method over the estimated useful lives of each group of assets.

**Compensated Absences**

The Library's obligation for employees' rights to receive compensation for future absences, such as vacation and sick days, was not material as of June 30, 2012, and thus, is not recognized in the accompanying financial statements. The Library permits the accumulation of a maximum of 45 days sick leave for employees; however, unused sick days are not paid upon termination. Accordingly, sick pay is charged to expenditures when taken.

**Fund Balance/Net Assets**

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

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

**OBION COUNTY PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2012

Net assets in the government-wide statements are categorized as follows:

- Invested in capital assets – consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any payables that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets – net assets that have third party limitations on their use.
- Unrestricted net assets – all net assets that are not included in the categories identified above.

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

As of June 30, 2012, the Library had restricted cash of \$5,000 that the donor specified be used to generate income for the purchase of genealogy books only.

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

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Details of the \$3,605,496 difference reported in the reconciliation on the Governmental Funds Balance Sheet were as follows:

Governmental fund capital assets	\$ 6,759,172
Less: accumulated depreciation	<u>(3,153,676)</u>
Net adjustment	<u>\$ 3,605,496</u>

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Details of the \$210,173 difference reported in the reconciliation were as follows:

Capital outlay	\$ 73,097
Depreciation expense	<u>(283,270)</u>
Net adjustment	<u>\$ (210,173)</u>

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

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

**OBION COUNTY PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 4 – DETAILED NOTES ON ACCOUNTS**

**A. Deposits**

Custodial Credit Risk – The Library’s policies limit deposits and investments to those instruments allowed by applicable state laws. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the Library’s agent in the Library’s name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the Library to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state-chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2012, the Library’s bank deposits were fully insured or collateralized.

**B. Capital Assets**

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 551,934	\$ -	\$ -	\$ 551,934
Capital assets, being depreciated				
Buildings	4,227,003	-	-	4,227,003
Equipment, furniture and fixtures	826,810	3,520	-	830,330
Park facilities and furniture	377,887	-	-	377,887
Data processing equipment	93,731	68,986	-	162,717
Library books	595,823	13,478	-	609,301
Total	6,121,254	85,984	-	6,207,238
Less accumulated depreciation for:				
Buildings	1,321,514	172,489	-	1,494,003
Equipment, furniture and fixtures	812,350	2,375	-	814,725
Park facilities and furniture	260,777	37,788	-	298,565
Data processing equipment	68,920	15,080	-	84,000
Library books	406,845	55,538	-	462,383
	2,870,406	283,270	-	3,153,676
Net capital assets being depreciated	3,250,848	(197,286)	-	3,053,562
Governmental activities capital assets – net	\$ 3,802,782	\$ (197,286)	\$ -	\$ 3,605,496

**OBION COUNTY PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 4 – OTHER INFORMATION**

**A. Pension Plan**

**Plan Description**

Employees of the Obion County Public Library are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit 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 the Obion County 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 the 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/>.

**Funding Policy**

The Obion County Public Library requires employees to contribute 5.0% of earnable compensation. The Library is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2012, was 6.33% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the Obion County Public Library is established and may be amended by the TCRS Board of Trustees.

**Annual Pension Cost**

For the year ended June 30, 2012, the Obion County Public Library's annual pension cost of \$16,244 to TCRS was equal to the Library's required and actual contribution. 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 equities over a ten-year period. The 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,

**OBION COUNTY PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

2011 was 18 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

**Trend Information and Schedule of Funding Progress**

Trend information and the required supplementary schedule of funding progress are not available individually for the Obion County Public Library. This information for Obion County as a whole is available in the County's separately issued financial statements.

**B. Risk Management**

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

## **SUPPLEMENTARY INFORMATION SECTION**

**OBION COUNTY PUBLIC LIBRARY**  
**SCHEDULE OF BUDGETARY COMPARISON - GENERAL FUND**  
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Over (Under)
<b>Revenues</b>				
City appropriation	\$ 167,244	\$ 167,244	\$ 167,244	\$ -
County appropriation	334,487	334,487	334,487	-
Erate revenue	13,713	13,713	11,146	(2,567)
USDA grant revenue	24,366	24,366	19,788	(4,578)
Interest income	4,444	4,444	5,382	938
Total revenues	<u>544,254</u>	<u>544,254</u>	<u>538,047</u>	<u>(6,207)</u>
<b>Expenditures</b>				
Salary - library director	50,000	50,000	51,106	1,106
Salary - assistant library director	36,051	36,051	36,878	827
Salaries - library assistants	129,790	129,790	133,061	3,271
Salaries - library aides	63,320	63,320	60,551	(2,769)
Salaries - custodian	20,442	20,442	20,088	(354)
Salaries - Verhine Children's Library	4,445	4,445	5,361	916
Payroll taxes	23,860	23,860	24,727	867
Employee retirement benefits	14,916	14,916	16,244	1,328
Employee health insurance	23,544	23,544	24,890	1,346
Accounting services	1,000	1,000	1,377	377
Audit services	4,000	4,000	3,825	(175)
Telephone and other communications expense	12,200	12,200	17,290	5,090
Repair and maintenance - buildings	3,000	3,000	3,765	765
Repair and maintenance - equipment	9,500	9,500	12,506	3,006
Postage	2,000	2,000	952	(1,048)
Travel	1,500	1,500	1,894	394
Custodial supplies	3,500	3,500	3,614	114
Data processing supplies	28,983	28,983	27,159	(1,824)
Utilities	42,700	42,700	38,992	(3,708)
Library books	40,000	40,000	33,615	(6,385)
Office supplies	8,000	8,000	7,328	(672)
Periodicals	5,500	5,500	4,681	(819)
Audio-visual materials	6,000	6,000	4,108	(1,892)
Insurance	4,200	4,200	3,900	(300)
Miscellaneous	420	420	1,656	1,236
Total expenditures	<u>538,871</u>	<u>538,871</u>	<u>539,568</u>	<u>697</u>
<b>Net change in fund balance</b>	<b>5,383</b>	<b>5,383</b>	<b>(1,521)</b>	<b>(6,904)</b>
Fund balance - July 1, 2011	<u>107,807</u>	<u>107,807</u>	<u>107,807</u>	<u>-</u>
Fund balance - June 30, 2012	<u>\$ 113,190</u>	<u>\$ 113,190</u>	<u>\$ 106,286</u>	<u>\$ (6,904)</u>

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

**OBION COUNTY PUBLIC LIBRARY**  
**SCHEDULE OF BUDGETARY COMPARISON - SPECIAL REVENUE FUND**  
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Over (Under)
<b>Revenues</b>				
Fines	\$ 10,000	\$ 10,000	\$ 10,204	\$ 204
Lost books	1,000	1,000	1,240	240
Library cards	2,000	2,000	2,162	162
Library fees	2,000	2,000	3,512	1,512
Copy machine income	1,500	1,500	1,756	256
Copy fees	4,000	4,000	5,586	1,586
Genealogy fees	100	100	151	51
Donations and gifts	300	300	-	(300)
Review Club	300	300	-	(300)
Grants	2,500	2,500	5,000	2,500
Interest	300	300	216	(84)
Other	2,500	2,500	4,700	2,200
Total revenues	<u>26,500</u>	<u>26,500</u>	<u>34,527</u>	<u>8,027</u>
<b>Expenditures</b>				
Advertising	2,500	2,500	2,018	(482)
Dues and memberships	2,500	2,500	1,605	(895)
Lease payments	1,000	1,000	518	(482)
Printing and stationery	500	500	422	(78)
Other contract services	1,000	1,000	5,253	4,253
Instructional supplies	2,500	2,500	1,478	(1,022)
Office supplies	4,000	4,000	6,770	2,770
Audio-visual materials	3,000	3,000	862	(2,138)
Special programs	1,000	1,000	2,043	1,043
Miscellaneous	1,000	1,000	232	(768)
Data processing supplies	2,000	2,000	16,912	14,912
Library books	3,500	3,500	6,540	3,040
Furniture and fixtures	2,000	2,000	485	(1,515)
Total expenditures	<u>26,500</u>	<u>26,500</u>	<u>45,138</u>	<u>18,638</u>
<b>Net change in fund balance</b>	-	-	<b>(10,611)</b>	<b>(10,611)</b>
Fund balance - July 1, 2011	<u>70,806</u>	<u>70,806</u>	<u>70,806</u>	-
Fund balance - June 30, 2012	<u>\$ 70,806</u>	<u>\$ 70,806</u>	<u>\$ 60,195</u>	<u>\$ (10,611)</u>

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

**OBION COUNTY PUBLIC LIBRARY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE ASSISTANCE**  
For the Year Ended June 30, 2012

<b>Federal Grantor/ Pass-through Agency/ Program Name</b>	CFDA Number	Pass-through Agency Grant Number	(Receivable) Unearned Balance 7/1/11	Receipts	Disbursements	(Receivable) Unearned Balance 6/30/12
Institute of Museum and Library Services/ Tennessee State Library and Archives/ Library Services and Technology Act Technology Grant	45.310	1272	\$ 2,500	\$ -	\$ 2,500	\$ -
Library Services and Technology Act Technology Grant	45.310	1272	<u>-</u>	<u>2,500</u>	<u>2,500</u>	<u>-</u>
<b>Total federal awards</b>			<b><u>\$ 2,500</u></b>	<b><u>\$ 2,500</u></b>	<b><u>\$ 5,000</u></b>	<b><u>\$ -</u></b>
<b>State Grantor/ Program Name</b>						
Tennessee State Library and Archives/ 2012 Rural Laptop Lab Grant	n/a	n/a	<u>\$ 18,983</u>	<u>\$ 2,883</u>	<u>\$ 19,788</u>	<u>\$ 2,078</u>

*See independent auditor's report*

## **INTERNAL CONTROL AND COMPLIANCE SECTION**



Certified Public Accountants

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**Report on Internal Control over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

Board of Trustees  
Obion County Public Library  
Union City, Tennessee

We have audited the financial statements of the governmental activities and each major fund of the Obion County Public Library, as of and for the year ended June 30, 2012, which collectively comprise the Library's basic financial statements and have issued our report thereon dated October 29, 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 of America.

Internal Control over Financial Reporting

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

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

Our consideration of internal control 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 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 Obion County 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*.

This report is intended solely for the information and use of the board of trustees, management, pass-through entities, and the Comptroller of the Treasury, State of Tennessee, and is not intended to be and should not be used by anyone other than these specified parties.

*Alexander Thompson Arnold PLLC*

Union City, Tennessee  
October 29, 2012