

**ELMA ROSS PUBLIC LIBRARY**

**ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended**

**June 30, 2012**

**ELMA ROSS PUBLIC LIBRARY  
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FOR THE YEAR ENDED JUNE 30, 2012**

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**Haywood County – Elma Ross Public Library  
Year Ended June 30, 2012**

**Members of the Board of Directors:**

**Katherine Horn, Director**

**Julia Dalhauser**

**Amy W. Harris**

**Goldie S. Harwell**

**Della D. Ligon**

**Gem Bell**

**Allen Sterbinsky**

**Marty Williams**

**Michael Banks**

**Attorney At Law**

**Brownsville, TN 38012**

**Cowart Reese Sargent, PC**

**Certified Public Accountants**

**Brownsville, TN 38012**



# COWART REESE S A R G E N T

Certified Public Accountants, P.C.

Brownsville | Jackson | Martin | Milan | Paris

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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, 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 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, 2012, 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 December 17, 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  
December 17, 2012

**Elma Ross Public Library  
Management's Discussion and Analysis  
June 30, 2012**

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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, 2012.

**Financial Highlights**

The assets of the Elma Ross Public Library exceeded its liabilities by \$401,414 (net assets) at end of the fiscal year. 40.7% 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 \$52,576. Most of this decrease is due to increase in depreciation expenses.

Books contributed to the Library amounted to \$23,702 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 the 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 Library 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, inter-governmental aid, and other sources of resources.

**Elma Ross Public Library  
Management's Discussion and Analysis  
June 30, 2012**

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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 are on specific activities rather than the Library as a 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, there is 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 to the financial statements provide additional information that is essential for a full understanding of data in the government-wide and fund financial statements. Notes are on pages 15 through 19 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 \$401,414 at the close of the most recent fiscal year.

| <b>Net Assets - Primary Government<br/>Governmental Activities</b> |             |             |                   |                     |
|--|-------------|-------------|-------------------|---------------------|
|  | <b>2012</b> | <b>2011</b> | <b>Variiances</b> | <b>Variiances %</b> |
| Current and Other Assets   | \$ 167,564  | \$ 163,463  | \$ 4,101          | 102.5%              |
| Capital Assets   | 237,978     | 292,337     | (54,359)          | 81.4%               |
| Total Assets   | \$ 405,542  | \$ 455,800  | \$ (50,258)       | 89.0%               |
| Other Liabilities  | 4,128       | 1,811       | 2,317             | 227.9%              |
| Total Liabilities  | \$ 4,128    | \$ 1,811    | \$ 2,317          | 227.9%              |

**Elma Ross Public Library**  
**Management's Discussion and Analysis**  
**June 30, 2012**

|   |                       |                       |                        |           |
|---|-----------------------|-----------------------|------------------------|-----------|
| Net Assets:                                     |                       |                       |                        |           |
| Invested in Capital Assets, net of related debt | 237,978               | 292,337               | (54,359)               | 81.4%     |
| Unrestricted                                    | <u>163,436</u>        | <u>161,652</u>        | <u>1,784</u>           | 101.1%    |
| <br>Total Net Assets                            | <br><u>\$ 401,414</u> | <br><u>\$ 453,989</u> | <br><u>\$ (52,575)</u> | <br>88.4% |

The Elma Ross Public Library's capital assets reflect 60% 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 assets. The same is true for the prior fiscal year.

### **Governmental Activities**

Governmental activities decreased the Library's net assets by \$52,575. Key elements of this decrease are as follows:

|                                    | <b>Changes in Net Assets</b> |                       | <b>Variance</b>        | <b>Variance %</b> |
|------------------------------------|------------------------------|-----------------------|------------------------|-------------------|
|                                    | <b>Governmental<br/>2012</b> | <b>2011</b>           |                        |                   |
| Revenues:                          |                              |                       |                        |                   |
| Charges for Services               | \$ 4,123                     | \$ 5,085              | \$ (962)               | 81.1%             |
| City and County                    | 141,946                      | 138,836               | 3,110                  | 102.2%            |
| Contributions and Operating Grants | 1,900                        | 17,123                | (15,223)               | 11.1%             |
| Capital Contributions              | 23,702                       | 34,687                | (10,985)               | 68.3%             |
| General Revenues:                  |                              |                       |                        |                   |
| Gifts and Memorials                | 2,403                        | 10                    | 2,393                  | 24030.0%          |
| Interest                           | 447                          | 869                   | (422)                  | 51.4%             |
| Rent                               | 1,690                        | 2,170                 | (480)                  | 77.9%             |
| Miscellaneous                      | 2,072                        | 2,052                 | 20                     | 101.0%            |
| Total Revenues                     | <u>\$ 178,283</u>            | <u>\$ 200,832</u>     | <u>\$ (22,549)</u>     | 88.8%             |
| Expenses:                          |                              |                       |                        |                   |
| General Government                 | 230,858                      | 253,812               | (22,954)               | 91.0%             |
| Total Expenses                     | <u>\$ 230,858</u>            | <u>\$ 253,812</u>     | <u>\$ (22,954)</u>     | 91.0%             |
| <br>Decrease in Net Assets         | <br>(52,575)                 | <br>(52,980)          | <br>405                | <br>99.2%         |
| Net Assets - Beginning             | 453,989                      | 506,969               | (52,980)               | 89.5%             |
| <br>Net Assets - Ending            | <br><u>\$ 401,414</u>        | <br><u>\$ 453,989</u> | <br><u>\$ (52,575)</u> | <br>88.4%         |

### **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.

**Elma Ross Public Library  
Management's Discussion and Analysis  
June 30, 2012**

| <b>Asset, Liabilities, and Fund Balances<br/>Total Governmental Funds</b> |                   |                   |                 |                   |
|---|-------------------|-------------------|-----------------|-------------------|
|   | <u>2012</u>       | <u>2011</u>       | <u>Variance</u> | <u>Variance %</u> |
| Total Assets  | \$ 167,564        | \$ 163,463        | \$ 4,101        | 102.509%          |
| Total Liability   | \$ 4,128          | \$ 1,811          | \$ 2,317        | 227.940%          |
| Fund Balance:   |                   |                   |                 |                   |
| Unrestricted  | \$ 163,436        | \$ 161,652        | \$ 1,784        | 101.104%          |
| Total Fund Balance  | \$ 163,436        | \$ 161,652        | \$ 1,784        | 101.104%          |
| Total Liabilities and Fund Balance  | <u>\$ 167,564</u> | <u>\$ 163,463</u> | <u>\$ 4,101</u> | 102.509%          |

As of the end of the current fiscal year, the Elma Ross Public Library's governmental funds reported fund balance of \$163,436, an increase of \$1,784 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 increase are as follows:

**Changes in Fund Balances of Governmental Funds  
For the Year Ended June 30, 2012**

|                                  | <u>2012</u>       | <u>2011</u>       | <u>Variations</u>  | <u>Variations %</u> |
|----------------------------------|-------------------|-------------------|--------------------|---------------------|
| <b>Revenues</b>                  |                   |                   |                    |                     |
| City of Brownsville              | \$ 70,973         | \$ 69,418         | \$ 1,555           | 102.24%             |
| Haywood County                   | 70,973            | 69,418            | 1,555              | 102.24%             |
| Grants                           | 1,900             | 17,123            | (15,223)           | 11.10%              |
| Gifts and Memorials              | 2,403             | 10                | 2,393              | 24030.00%           |
| Fines, Copies and Other Sources  | 4,123             | 5,085             | (962)              | 81.08%              |
| Rent                             | 1,690             | 2,170             | (480)              | 77.88%              |
| Interest                         | 447               | 869               | (422)              | 51.44%              |
| Miscellaneous                    | 2,072             | 2,052             | 20                 | 100.97%             |
| Total Revenues                   | <u>\$ 154,581</u> | <u>\$ 166,145</u> | <u>\$ (11,564)</u> | 93.04%              |
| <b>Expenditures</b>              |                   |                   |                    |                     |
| Administrative Salaries          | \$ 63,076         | \$ 64,889         | \$ (1,813)         | 97.21%              |
| Maintenance Staff Salaries       | 15,480            | 10,697            | 4,783              | 144.71%             |
| Payroll Taxes                    | 7,445             | 6,339             | 1,106              | 117.45%             |
| Workers Compensation             | 707               | 603               | 104                | 117.25%             |
| Pension Expense                  | 4,691             | 5,120             | (429)              | 91.62%              |
| Contracted Services              | -                 | 3,942             | (3,942)            | 0.00%               |
| Computer Expense                 | 12,195            | 7,009             | 5,186              | 173.99%             |
| Capital Outlay - Books           | 6,595             | 4,478             | 2,117              | 147.28%             |
| Equipment                        | 1,365             | -                 | 1,365              |                     |
| Insurance                        | 8,315             | 12,353            | (4,038)            | 67.31%              |
| Professional Fees                | 1,730             | 1,750             | (20)               | 98.86%              |
| Periodicals                      | -                 | 1,954             | (1,954)            | 0.00%               |
| Genealogy                        | 334               | 299               | 35                 | 111.71%             |
| Transfer                         | 1,900             | -                 | 1,900              |                     |
| Audiovisuals                     | 933               | 1,052             | (119)              | 88.69%              |
| Continuing Education             | 2,097             | 1,386             | 711                | 151.30%             |
| Telephone                        | 3,799             | 3,316             | 483                | 114.57%             |
| Utilities                        | 11,958            | 13,200            | (1,242)            | 90.59%              |
| Maintenance & Repairs Bldg       | 1,121             | 27,144            | (26,023)           | 4.13%               |
| Supplies                         | 2,230             | 2,610             | (380)              | 85.44%              |
| Miscellaneous                    | 6,826             | 1,627             | 5,199              | 419.55%             |
| Total Expenditures               | <u>152,797</u>    | <u>169,768</u>    | <u>(16,971)</u>    | 90.00%              |
| Net Change in Fund Balance       | 1,784             | (3,623)           | 5,407              | -49.24%             |
| Fund Balance - Beginning of Year | 161,652           | 165,275           | (3,623)            | 97.81%              |
| Fund Balance - End of Year       | <u>\$ 163,436</u> | <u>\$ 161,652</u> | <u>\$ 1,784</u>    | 101.10%             |

**Elma Ross Public Library  
Management's Discussion and Analysis  
June 30, 2012**

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The fund balance of the Elma Ross Public Library increased by \$1,783 during the current fiscal year. The key factors in the increase of fund balance are:

- Maintenance and repairs on Building expenses decreased by \$26,023.

**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.

**Capital Asset**

The Elma Ross Public Library's investment in capital assets for the governmental activities as of June 30, 2012 is \$237,978 (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 \$23,702 by Regional Library and individuals, and books purchased were \$6,902.
- Computers and peripherals purchased were \$14,577.
- Books and related depreciation worth of \$5,058 were deleted.
- There were no computer and peripherals deleted.

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)**

|                      | <b>2012</b> | <b>2011</b> |
|----------------------|-------------|-------------|
| Equipment            | \$ 26,395   | \$ 18,056   |
| Books                | 211,583     | 274,281     |
| Total Capital Assets | \$ 237,978  | \$ 292,337  |

**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, 2012**

|                                  | <u>GOVERNMENTAL<br/>ACTIVITIES</u> | <u>TOTAL</u>            |
|----------------------------------|------------------------------------|-------------------------|
| <b>ASSETS</b>                    |                                    |                         |
| Current Assets                   |                                    |                         |
| Cash                             | \$138,509                          | \$138,509               |
| Certificate of Deposits          | 29,055                             | 29,055                  |
| Other Assets                     | 0                                  | 0                       |
| Total Current Assets             | <u>167,564</u>                     | <u>167,564</u>          |
| Noncurrent Assets                |                                    |                         |
| Property and Equipment           | 96,474                             | 96,474                  |
| Books and Periodicals            | 963,626                            | 963,626                 |
| Less Accumulated Depreciation    | (822,122)                          | (822,122)               |
| Total Noncurrent Assets          | <u>237,978</u>                     | <u>237,978</u>          |
| Total Assets                     | <u>405,542</u>                     | <u>405,542</u>          |
| <b>LIABILITIES</b>               |                                    |                         |
| Current Liabilities              |                                    |                         |
| Accrued Payroll Taxes            | <u>4,128</u>                       | <u>4,128</u>            |
| Total Liabilities                | <u>4,128</u>                       | <u>4,128</u>            |
| <b>NET ASSETS</b>                |                                    |                         |
| Invested in Capital Assets       | 237,978                            | 237,978                 |
| Unrestricted Net Assets          | <u>163,436</u>                     | <u>163,436</u>          |
| Total Net Assets                 | <u>\$401,414</u>                   | <u>\$401,414</u>        |
| Total Liabilities and Net Assets | <u><u>\$405,542</u></u>            | <u><u>\$405,542</u></u> |

**THE ELMA ROSS PUBLIC LIBRARY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

|                               | Program Revenues  |                         |                        |  | Net (Expense) Revenue and<br>Changes in Net Assets<br>Primary Government |                           |                   |
|-------------------------------|-------------------|-------------------------|------------------------|--|--|---------------------------|-------------------|
|                               | Expenses          | Charges<br>for Services | City & County          | Operating<br>Contributions and<br>Grants | Capital<br>Contributions and<br>Grants                                   | Governmental<br>Activites | Total             |
| <b>Functions and Programs</b> |                   |                         |                        |  |  |                           |                   |
| <b>Primary Government:</b>    |                   |                         |                        |  |  |                           |                   |
| Governmental Activities:      |                   |                         |                        |  |  |                           |                   |
| General Government            | \$ 230,858        | \$ 4,123                | \$ 141,946             | \$ 1,900                                 | \$ 23,702  | \$ (59,187)               | \$ (59,187)       |
| Total Government Activities   | 230,858           | 4,123                   | 141,946                | 1,900                                    | 23,702   | (59,187)                  | (59,187)          |
| Total Primary Government      | <u>\$ 230,858</u> | <u>\$ 4,123</u>         | <u>\$ 141,946</u>      | <u>\$ 1,900</u>                          | <u>\$ 23,702</u>   | <u>(59,187)</u>           | <u>(59,187)</u>   |
|                               |                   |                         | General Revenues:      |  |  |                           |                   |
|                               |                   |                         | Gifts and Memorials    |  |  | 2,403                     | 2,403             |
|                               |                   |                         | Interest               |  |  | 447                       | 447               |
|                               |                   |                         | Rent                   |  |  | 1,690                     | 1,690             |
|                               |                   |                         | Miscellaneous          |  |  | 2,072                     | 2,072             |
|                               |                   |                         | Total General Revenues |  |  | <u>6,612</u>              | <u>6,612</u>      |
|                               |                   |                         | Change in Net Assets   |  |  | (52,575)                  | (52,575)          |
|                               |                   |                         | Net Assets - Beginning |  |  | 453,989                   | 453,989           |
|                               |                   |                         | Net Assets - Ending    |  |  | <u>\$ 401,414</u>         | <u>\$ 401,414</u> |

**THE ELMA ROSS PUBLIC LIBRARY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2012**

|  | <b>General</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|----------------|---|
| <b>ASSETS</b>                            |                |   |
| Cash                                     | \$ 138,509     | \$ 138,509                              |
| Certificate of Deposits                  | 29,055         | 29,055                                  |
| Other Assets                             | -              | -                                       |
| Total Assets                             | 167,564        | 167,564                                 |
| <br><b>LIABILITIES AND FUND BALANCE:</b> |                |   |
| Liabilities:                             |                |   |
| Accrued Payroll Taxes                    | 4,128          | 4,128                                   |
| Total Liabilities                        | 4,128          | 4,128                                   |
| Fund Balances:                           |                |   |
| Unassigned                               | 163,436        | 163,436                                 |
| Total Fund Balances                      | 163,436        | 163,436                                 |
| Total Liabilities and Fund Balances      | \$ 167,564     |   |

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           | 1,060,100 |            |
| Less Accumulated Depreciation         | (822,122) | 237,978    |
| Net Assets of Governmental Activities |           | \$ 401,414 |

**THE ELMA ROSS PUBLIC LIBRARY**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2012**

|                                  | <u>General</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|----------------------------------|----------------|---|
| <b>Revenues:</b>                 |                |   |
| City of Brownsville              | \$ 70,973      | \$ 70,973                               |
| Haywood County                   | 70,973         | 70,973                                  |
| Grants                           | 1,900          | 1,900                                   |
| Gifts and Memorials              | 2,403          | 2,403                                   |
| Fines, Copies and Other Sources  | 4,122          | 4,122                                   |
| Rent                             | 1,690          | 1,690                                   |
| Interest                         | 447            | 447                                     |
| Miscellaneous                    | 2,072          | 2,072                                   |
|                                  | <hr/>          | <hr/>                                   |
| Total Revenues                   | 154,580        | 154,580                                 |
|                                  | <hr/>          | <hr/>                                   |
| <b>Expenditures:</b>             |                |   |
| Administrative Salaries          | 63,076         | 63,076                                  |
| Maintenance Staff Salaries       | 15,480         | 15,480                                  |
| Payroll Taxes                    | 7,445          | 7,445                                   |
| Workers Compensation             | 707            | 707                                     |
| Pension Expense                  | 4,691          | 4,691                                   |
| Computer Expense                 | 12,195         | 12,195                                  |
| Capital Outlay - Books           | 6,595          | 6,595                                   |
| Insurance                        | 8,315          | 8,315                                   |
| Professional Fees                | 1,730          | 1,730                                   |
| Genealogy                        | 334            | 334                                     |
| Equipment                        | 1,365          | 1,365                                   |
| Audiovisuals                     | 933            | 933                                     |
| Continuing Education             | 2,097          | 2,097                                   |
| Transfer                         | 1,900          | 1,900                                   |
| Telephone                        | 3,799          | 3,799                                   |
| Utilities                        | 11,958         | 11,958                                  |
| Maintenance & Repairs Bldg       | 1,121          | 1,121                                   |
| Supplies                         | 2,230          | 2,230                                   |
| Miscellaneous                    | 6,826          | 6,826                                   |
|                                  | <hr/>          | <hr/>                                   |
| Total Expenditures               | 152,797        | 152,797                                 |
|                                  | <hr/>          | <hr/>                                   |
| Net Change in Fund Balance       | 1,783          | 1,783                                   |
|                                  | <hr/>          | <hr/>                                   |
| Fund Balance - Beginning of Year | 161,653        | 161,653                                 |
|                                  | <hr/>          | <hr/>                                   |
| Fund Balance - End of Year       | \$ 163,436     | \$ 163,436                              |
|                                  | <hr/> <hr/>    | <hr/> <hr/>                             |

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, 2012**

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|  |          |    |          |
|--|----------|----|----------|
| Net change in total fund balances per fund financial statements  |          | \$ | 1,783    |
| 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  |          |    | 23,702   |
| 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  | 21,480   |    |          |
| Less Current year depreciation   | (99,540) |    | (78,060) |
|  |          |    | (78,060) |
| Change in Net Assets of Governmental Activities  |          | \$ | (52,575) |

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, 2012**

|                                  | <u>Budgeted Amounts</u> |                   | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|----------------------------------|-------------------------|-------------------|---------------------------|---|
|                                  | <u>Original</u>         | <u>Final</u>      |                           |   |
| <b>Revenues:</b>                 |                         |                   |                           |   |
| City of Brownsville              | \$ 70,973               | \$ 70,973         | \$ 70,973                 | \$ -  |
| Haywood County                   | 70,973                  | 70,973            | 70,973                    | -   |
| Grants                           | 17,123                  | 17,123            | 1,900                     | (15,223)  |
| Gifts & Memorials                | 89                      | 89                | 2,403                     | 2,314   |
| Fines, Copies, and Other Sources | 4,485                   | 4,485             | 4,123                     | (362)   |
| Rent                             | 2,170                   | 2,170             | 1,690                     | (480)   |
| Book Club                        | 600                     | 600               | -                         | (600)   |
| Interest                         | 813                     | 813               | 447                       | (366)   |
| Miscellaneous                    | 12,099                  | 12,099            | 2,072                     | (10,027)  |
|                                  | <u>179,325</u>          | <u>179,325</u>    | <u>154,581</u>            | <u>(24,744)</u>   |
| <b>Expenditures:</b>             |                         |                   |                           |   |
| Administrative Salaries          | 45,994                  | 45,994            | 46,113                    | (119)   |
| Maintenance Staff Salaries       | 13,834                  | 13,834            | 15,480                    | (1,646)   |
| Employee Bonus                   | 500                     | 500               | -                         | 500   |
| Circulation Salaries             | 19,173                  | 19,173            | 16,963                    | 2,210   |
| Payroll Taxes                    | 5,113                   | 5,113             | 7,132                     | (2,019)   |
| Insurance - Employees            | 9,862                   | 9,862             | 5,153                     | 4,709   |
| Pension Expense                  | 6,355                   | 6,355             | 4,691                     | 1,664   |
| Longevity                        | 1,680                   | 1,680             | -                         | 1,680   |
| Workers Compensation             | 650                     | 650               | 707                       | (57)  |
| State Unemployment Taxes         | 297                     | 297               | 313                       | (16)  |
| Supplies                         | 2,500                   | 2,500             | 2,230                     | 270   |
| Computer Expense                 | 1,796                   | 1,796             | 12,195                    | (10,399)  |
| Capital Outlay - Books           | 7,044                   | 7,044             | 6,595                     | 449   |
| Capital Outlay - Equipment       | 25,923                  | 25,923            | -                         | 25,923  |
| Professional Fees                | 1,730                   | 1,730             | 1,730                     | -   |
| Geneology                        | 600                     | 600               | 334                       | 266   |
| Audiovisuals                     | 1,341                   | 1,341             | 933                       | 408   |
| Continuing Education             | 1,800                   | 1,800             | 2,097                     | (297)   |
| Equipment                        | -                       | -                 | 1,365                     | (1,365)   |
| Telephone                        | 3,100                   | 3,100             | 3,799                     | (699)   |
| Transfer                         | 10,000                  | 10,000            | 1,900                     | 8,100   |
| Utilities                        | 13,700                  | 13,700            | 11,958                    | 1,742   |
| Maintenance Bldg                 | 1,500                   | 1,500             | 1,121                     | 379   |
| Maintenance & Repairs            | 5,984                   | 5,984             | -                         | 5,984   |
| Pest Control                     | 620                     | 620               | 160                       | 460   |
| Insurance - Liability            | 3,200                   | 3,200             | 3,162                     | 38  |
| Miscellaneous                    | 2,325                   | 2,325             | 6,666                     | (4,341)   |
|                                  | <u>186,621</u>          | <u>186,621</u>    | <u>152,797</u>            | <u>33,824</u>   |
| Net Change in Fund Balance       | (7,296)                 | (7,296)           | 1,784                     | 9,080   |
| Fund Balance - Beginning         | 161,653                 | 161,653           | 161,653                   | -   |
| Fund Balance - Ending            | <u>\$ 154,357</u>       | <u>\$ 154,357</u> | <u>\$ 163,437</u>         | <u>\$ (9,080)</u>   |

**ELMA ROSS PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**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 Directors of the Library are appointed by the County Commission and the City Council. The library provides services to Brownsville and Haywood County 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, 2012.

**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 is the primary fund and is used to account for all financial resources.

**ELMA ROSS PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**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 any 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 principles in the United States 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 or more. The cost of normal maintenance and repairs that do not add value to the asset or materially extend useful life 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 STATEMENTS  
JUNE 30, 2012**

### **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 Directors. 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 a 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 – amounts that are available for any purpose.

Assigned fund balance is established by the Board through adoption or amendment of the budget as intended for a 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 STATEMENTS  
JUNE 30, 2012**

**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, 2012, the Library's cash and cash equivalents of \$167,564 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**

|   | <b>Equipment</b> | <b>Books</b> | <b>Total</b> |
|---|------------------|--------------|--------------|
| Primary Government<br>Government Activities |                  |              |              |
| Balance June 30, 2011                       | \$ 81,897        | \$ 938,080   | \$ 1,019,977 |
| Increases - Purchased                       | 14,577           | 6,902        | 21,479       |
| Increases - Contributed                     | -                | 23,702       | 23,702       |
| Decreases                                   | -                | (5,058)      | (5,058)      |
| Balance June 30, 2012                       | 96,474           | 963,626      | 1,060,100    |
| Accumulated Depreciation                    |                  |              |              |
| Balance June 30, 2011                       | 62,990           | 664,650      | 727,640      |
| Increases                                   | 6,238            | 93,302       | 99,540       |
| Decreases                                   | -                | (5,058)      | (5,058)      |
| Balance June 30, 2012                       | 69,228           | 752,894      | 822,122      |
| Governmental Activities                     |                  |              |              |
| Capital Assets - Net                        | \$ 27,246        | \$ 210,732   | \$ 237,978   |

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 filed 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 STATEMENTS  
JUNE 30, 2012**

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.

**IV.A. OTHER INFORMATION**

**IV.A.1. LITIGATION**

As of June 30, 2012, 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 December 17, 2012. There are no significant events notes.

**ELMA ROSS PUBLIC LIBRARY**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**June 30, 2012**

| Federal Grantor/ Pass-through Grantor/ Program<br>or Cluster Title | Federal<br>CFDA<br>Number | State<br>Contract<br>Number | Beginning<br>Balance | Receipts | Expenditures | Ending<br>Balance |
|--|---------------------------|-----------------------------|----------------------|----------|--------------|-------------------|
| Tennessee State Library and Archives<br>Tech Grant                 | 45.310                    | 30504-00812-26              | -                    | 1,900    | 1,900        | -                 |
|  |                           |                             | \$ -                 | \$ 1,900 | \$ 1,900     | \$ -              |

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  
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, 2012, and have issued our report thereon dated December 17, 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 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 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 no 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.

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, CPAs, PC

Brownsville, Tennessee  
December 17, 2012

**ELMA ROSS PUBLIC LIBRARY  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2012**

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**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. No instance of noncompliance that was material to the financial statements was disclosed during the audit.