

W. G. RHEA PUBLIC LIBRARY
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2012

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INTRODUCTORY SECTION

**W. G. RHEA PUBLIC LIBRARY
DIRECTORY
June 30, 2012**

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INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Alexander Thompson Arnold PLLC
Jackson, Tennessee

FINANCIAL SECTION

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Certified Public Accountants
Offices in Tennessee & Kentucky

227 Oil Well Rd.
Jackson, TN 38305

Phone 731.427.8571
Fax 731.424.5701
www.atacpa.net

Independent Auditor's Report

The Board of Trustees
W. G. Rhea Public Library
Paris, Tennessee

We have audited the accompanying financial statements of the governmental activities and each major fund of W. G. Rhea Public Library (the 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 previously present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Library, as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2013 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 that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress on pages 4 through 6 and 18 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 opinions on the financial statements that collectively comprise the Library's financial statements. The other supplementary information section is presented for purposes of additional analysis and is 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 information is 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 Library's basic financial statements. The introductory section is presented for the 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.



Certified Public Accountants

Jackson, Tennessee
December 13, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of W. G. Rhea Public Library (the Library), we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal year ended June 30, 2012. All amounts, unless otherwise indicated, are expressed in actual dollars. Comparative analyses of key elements of total governmental funds have been provided.

FINANCIAL HIGHLIGHTS

Management believes the Library's financial condition is strong. The Library is well within its more stringent financial policies and guidelines set by the Board and management. The following are key financial highlights.

- Total assets at year-end were \$307 thousand and exceeded liabilities in the amount of \$306 thousand (i.e. net assets).
- Net assets increased \$41 thousand during the current year.
- Operating revenues were \$355 thousand, while operating expenses were \$315 thousand which resulted in the increase in net assets of \$41 thousand.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the financial statements and supplementary information. The MD&A represents management's examination and analysis of the Library's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Library's strategic plan, budget and other management tools were used for this analysis. The Financial Statements and Supplementary Information are made up of four sections: 1) the introductory section, 2) the financial section, 3) other supplementary information section, and 4) the internal control and compliance section. The introductory section includes the Library's directory. The financial section includes the MD&A, the independent auditor's report, the financial statements with accompanying notes, and the required supplementary information. The other supplementary information section includes selected financial and operational information. The internal control and compliance section includes the report on internal control and compliance. These sections make up the financial report presented here.

REQUIRED FINANCIAL STATEMENTS

Due to the Library being composed of only two governmental funds, a consolidated format has been used to present the fund statements and the government-wide statements with the reconciliation included as an additional column. The following statements are included in the financial statements of the Library:

The *Statement of Net Assets and Governmental Fund Balance Sheet* include all of the Library's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Library's creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure, and assessing the liquidity and financial flexibility of the Library.

The *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance* present the results of the business activities over the course of the fiscal year and information as to how the net assets and fund balances changed during the year. All changes in net assets and fund balances are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement measures the success of the Library's operations and can be used to determine whether the Library has successfully recovered all of its costs. This statement also measures the Library's profitability and credit worthiness.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The *Notes to the Financial Statements* provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Library's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets - As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Library, assets exceeded liabilities by \$306 thousand at the close of the most recent fiscal year. A portion of the Library's net assets (68%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. Although the Library's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. As of June 30, 2012, the Library did not have any related debt.

CONDENSED STATEMENT OF NET ASSETS

	June 30, 2012	June 30, 2011	Increase (Decrease)	
			\$	%
Current and other assets	\$ 99,681	\$ 124,006	\$(24,325)	-19.62%
Capital assets	207,120	149,767	57,353	38.29%
Total assets	<u>306,801</u>	<u>273,773</u>	<u>33,028</u>	12.06%
Other liabilities	<u>565</u>	<u>8,187</u>	<u>(7,622)</u>	-93.10%
Invested in capital assets	207,120	149,767	57,353	38.29%
Restricted - non-routine purposes	41,648	55,935	(14,287)	-25.54%
Restricted - construction	6,872	4,567	2,305	100.00%
Restricted - computer lab grant	700	16,202	(15,502)	100.00%
Unassigned	49,896	39,115	10,781	27.56%
Total net assets	<u>\$ 306,236</u>	<u>\$ 265,586</u>	<u>\$ 40,650</u>	15.31%

Statement of Activities – Revenues in the governmental activities column exceeded expenses by \$41 thousand. Revenues increased from the previous year due an increase in the following revenue sources: gifts and donations, federal grant funding, and insurance proceeds.

CONDENSED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS

	June 30, 2012	June 30, 2011	Increase (Decrease)	
			\$	%
Operating revenues	\$ 355,409	\$ 305,857	\$ 49,552	16.20%
Operating expenditures	314,764	310,496	4,268	1.37%
Change in net assets	<u>40,645</u>	<u>(4,639)</u>	<u>45,284</u>	-976.16%
Beginning net assets	<u>265,591</u>	<u>270,230</u>	<u>(4,639)</u>	-1.72%
Ending net assets	<u>\$ 306,236</u>	<u>\$ 265,591</u>	<u>\$ 40,645</u>	15.30%

MANAGEMENT'S DISCUSSION AND ANALYSIS

COMMENTS ON FUND FINANCIAL STATEMENTS

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

Governmental funds – The focus of the 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 Library's financing requirements.

In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Revenue and other financing sources in the general fund increased from last year by approximately \$39 thousand. The most significant changes in revenues and other financing sources in the general fund were:

- Gifts and donations increased approximately \$12,000
- Grant funding increased \$5,000
- Insurance proceeds were approximately \$24,000.

Expenditures and other financing uses in the general fund decreased from last year by approximately \$6 thousand. The most significant changes in expenditures and other financing uses in the general fund were:

- Program related expenditures decreased by \$5,000
- Capital outlay expenditures increased by \$77,000
- Depreciation expense decreased by \$10,000

A budget comparison statement has been provided to demonstrate compliance with the budget. There were no significant variations from the budget to the actual amounts this year. However, the following amounts were not budgeted:

- Federal grant funding in the general fund with expenditures consisting of building renovations
- Donations in the general fund with expenditures consisting of building renovations

These amounts were not budgeted due to the fact that these were grant funds and donations that are not reoccurring amounts in the normal course of business.

CAPITAL ASSET ADMINISTRATION

Capital Assets – At the end of the fiscal year, the Library had invested \$207 thousand in a variety of capital assets.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

There are no substantial changes anticipated for next year's budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Library's finances for citizens, taxpayers, customers, investors, creditors and all others with an interest in the Library's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the W. G. Rhea Public Library, 400 W. Washington St., Paris, TN 38242.

W. G. RHEA PUBLIC LIBRARY
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
June 30, 2012

	<u>Governmental Funds</u>			<u>Adjustments Note 3A</u>	<u>Statement of Net Assets</u>
	<u>General</u>	<u>Library Trust</u>	<u>Total</u>		
Assets					
Cash in bank	\$ 55,091	\$ 20,741	\$ 75,832	\$ -	\$ 75,832
Investments	-	20,907	20,907	-	20,907
Prepaid insurance	2,942	-	2,942	-	2,942
Capital assets (net of accumulated depreciation)					
Building	-	-	-	67,357	67,357
Books	-	-	-	104,064	104,064
Furniture	-	-	-	9,173	9,173
Equipment	-	-	-	26,526	26,526
Total assets	<u>58,033</u>	<u>41,648</u>	<u>99,681</u>	<u>207,120</u>	<u>306,801</u>
Liabilities					
Accounts payable and other accrued expenses	<u>565</u>	<u>-</u>	<u>565</u>	<u>-</u>	<u>565</u>
Fund balance/net assets					
Nonspendable	2,942	-	2,942	(2,942)	-
Restricted - non-routine purposes (See Note 8)	-	41,648	41,648	(41,648)	-
Restricted - construction income	6,872	-	6,872	(6,872)	-
Restricted - computer lab grant	700	-	700	(700)	-
Unassigned	<u>46,954</u>	<u>-</u>	<u>46,954</u>	<u>(46,954)</u>	<u>-</u>
Total fund balance	<u>57,468</u>	<u>41,648</u>	<u>99,116</u>	<u>(99,116)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 58,033</u>	<u>\$ 41,648</u>	<u>\$ 99,681</u>		
Net Assets					
Invested in capital assets				207,120	207,120
Restricted				49,220	49,220
Unrestricted				<u>49,896</u>	<u>49,896</u>
Total net assets				<u>\$ 306,236</u>	<u>\$ 306,236</u>

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

W. G. RHEA PUBLIC LIBRARY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2012

	<u>General</u>	<u>Library Trust</u>	<u>Total</u>	<u>Adjustments Note 3B</u>	<u>Statement of Activities</u>
Revenues					
Intergovernmental	\$ 276,672	\$ -	\$ 276,672	\$ -	\$ 276,672
Charges for services	16,955	3,847	20,802	-	20,802
Other	<u>46,902</u>	<u>323</u>	<u>47,225</u>	10,710	<u>57,935</u>
Total revenues	<u>340,529</u>	<u>4,170</u>	<u>344,699</u>	<u>10,710</u>	<u>355,409</u>
Expenditures					
Personnel	176,953	-	176,953	-	176,953
Other program related	73,543	6,019	79,562	-	79,562
Depreciation	-	-	-	58,249	58,249
Capital outlay	<u>104,892</u>	<u>-</u>	<u>104,892</u>	<u>(104,892)</u>	<u>-</u>
Total expenditures	<u>355,388</u>	<u>6,019</u>	<u>361,407</u>	<u>(46,643)</u>	<u>314,764</u>
Excess (deficiency) of revenues over expenditures	<u>(14,859)</u>	<u>(1,849)</u>	<u>(16,708)</u>	<u>57,353</u>	<u>40,645</u>
Other financing sources (uses)					
Operating transfers in	12,438	-	12,438	(12,438)	-
Operating transfers out	<u>-</u>	<u>(12,438)</u>	<u>(12,438)</u>	<u>12,438</u>	<u>-</u>
Total transfers	<u>12,438</u>	<u>(12,438)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balance/ net assets	(2,421)	(14,287)	(16,708)	57,353	40,645
Fund balance/net assets, July 1	<u>59,889</u>	<u>55,935</u>	<u>115,824</u>	<u>149,767</u>	<u>265,591</u>
Fund balance/net assets, June 30	<u>\$ 57,468</u>	<u>\$ 41,648</u>	<u>\$ 99,116</u>	<u>\$ 207,120</u>	<u>\$ 306,236</u>

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

W. G. RHEA PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 – ORGANIZATION

The W. G. Rhea Public Library (Library) was formed in 1959 as a joint organization of the City of Paris and the County of Henry. The Board of Trustees consists of four members appointed by the County Commission and three members appointed by the City Commission. The Trustees are to exercise legal responsibility for the Library, formulate policies, and handle finances, including approval of the budget. The Trustees hire a Librarian who is responsible for the administration of the Library under the Trustees' direction.

The objectives of the Library are:

1. To serve the community as a center of reliable information.
2. To provide opportunity and encouragement for self-education at all age levels.
3. To provide books, materials, programs, services, and information conducive to education, inspiration, good citizenship, and the creative use of leisure time.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Library conform to generally accepted accounting principles applicable to government as defined in the *Statement of Governmental Accounting Standards Board (GASB)*. The following is a summary of the more significant accounting policies.

A. Reporting Entity

In evaluating how to define the Library, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity*. The basic criterion for including a potential component unit within the reporting entity is whether the primary government is financially accountable.

The primary government is financially accountable if it appoints a voting majority of a component unit's governing body (accountability), and if it either has the ability to impose its will on the component unit or the financial benefit or burden consideration exists; i.e., there is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Excluded from the reporting entity:

W. G. Rhea Paris-Henry County Library Trust, an irrevocable charitable trust which has tax-exempt status under Section 501(c)(3) of the Internal Revenue Code (IRC). This potential component unit has a separately appointed board and provides funding for specific programs within the Library, which are not funded by the City or the County. (See Note 8 for details.) It is excluded from the reporting entity because the Library does not have the ability to appoint a voting majority of the Trust's board of directors. Also, if the Library ceases to qualify as a charitable organization, as defined by the IRC, the Trustees are to distribute the trust income to other charitable organizations at their discretion. Although the trust corpus is not included in this report, the revenue received from the trust is reported in a special revenue fund titled "Library Trust Fund".

W. G. RHEA PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the operating activities of the Library.

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.

Separate financial statements are provided for governmental funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements (i.e., the statements of net assets and the statement of changes in net assets) and the governmental funds financial statements (i.e., the balance sheet and the statement of revenues, expenditures, and changes in fund balances) have been consolidated into one report. The adjustments from the fund financial statements to the government-wide statements have been consolidated into the middle column of the reports for simplicity.

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

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

The General Fund is the primary operating fund. It accounts for all grant revenue from the City of Paris and Henry County and the expenditures thereof. In addition, it also accounts for all of the program revenue the Library receives, such as usage fees, fines, donations, federal and state grant income, and other program related income received by the Library. Included in the General Fund for financial reporting purposes are activities accounted for internally as separate funds titled Emergency and Miscellaneous, Building and Floor Grant. These funds do not meet the criteria for reporting as special revenue funds under Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and therefore are included in the general fund for financial reporting.

The Library Trust Fund accounts for the revenue and expenditures thereof from an independently operated and managed trust fund which benefits the Library.

W. G. RHEA PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The financial statements of the Library are prepared in accordance with generally accepted accounting principles. The Library's reporting entity applies all relevant *Governmental Accounting Standards Board* (GASB) pronouncements and applicable *Financial Accounting Standards Board* (FASB) pronouncements and *Accounting Principle Board* (APB) opinions issued on or before November 30, 1989 unless they conflict with GASB pronouncements. The Library's reporting entity does not apply FASB pronouncements issued after November 30, 1989.

The major sources of revenue are grants, contributions, trust income, and other revenues as discussed below:

- a) **Grant Revenue (Including City and County Funding)**
Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods.
- b) **In-Kind – Contributed Property**
Local contributions include contributed property provided by individuals, private organizations and local governments. Contributed property is recorded as an expenditure with an equivalent amount recorded in the accompanying financial statements at their estimated fair values at date of receipt.
- c) **Trust Income**
The Library receives income each year from a charitable trust as further disclosed in Note 8.
- d) **Other Revenues**
Other revenues are composed primarily of interest and miscellaneous charges for services. Interest income is recorded as earned since it is measurable and available. Miscellaneous charges for services are recorded as revenues when received in cash because they are generally not measurable until actually received.

D. Budgets and Budgetary Accounting

The Library's annual budgets are a management tool that assists its users in analyzing financial activity for its fiscal year ending June 30. Their primary funding source is local grants which are for twelve-month periods that coincide with the fiscal year. Due to the Library's dependency on local budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding.

During the year ended June 30, 2012, there were two sources of income that was not budgeted, neither the income nor expenditures. One was the federal grant funding to replace the floors of the Library. The second was donations received to help improve the Library's building. Since these amounts were not reoccurring and because they would not spend more than what was received, the Library did not budget these two items.

W. G. RHEA PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

The Emergency and Miscellaneous activities are included as a part of the General Fund since they do not qualify as a special revenue fund under generally accepted accounting principles. However, for budgetary reporting, these accounts are not included as a part of the General Fund.

E. Fund Equity

In accordance with GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Library has classified their fund balances as follows:

Nonspendable: Amounts that cannot be spent either because they are not in a spendable 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 the Library Charter, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed: Amounts that can be used only for specific purposes determined by formal action by the Board of Trustees resolution. To be reported as committed, amounts cannot be used for any other purpose unless the Library takes the same highest level of action to remove or change the constraint.

Assigned: Amounts the Library intends to use for a specific purpose. Intent can be expressed by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. The Board of Trustees has not made any delegation so the authority to assign fund balance is at the Board level.

Unassigned: Amounts that are available for any purpose in the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Library considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Library considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees or the finance committee has provided otherwise in its commitment or assignment actions.

F. Leave Policies

The full-time staff shall have two weeks vacation with pay at the end of one year of service. Any unused vacation up to one week may be carried over to the following year. It must then be used or lost. This amount was not considered material and as a result it was not recorded.

A maximum of fourteen days sick leave is given each year. Annual vacation may be used during an illness after the expiration of one's sick leave, but sick leave shall not be substituted or used for vacation leave.

Sick leave may accrue to a maximum of sixty days, but the employee has no vested interest in the leave. Therefore no accrual is made for uncompensated absences due to accrued sick pay.

W. G. RHEA PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2012

G. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Library.

H. Capital Assets

Capital assets over \$100, which include equipment and furniture, are recorded at cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Depreciation on governmental-wide statements is recorded on the straight-line basis over the following lives:

Books and materials	10 years
Furniture and fixtures	5-10 years
Equipment	2-15 years

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

J. Concentration of Credit Risk

The General Fund is entirely funded by the City of Paris and Henry County government. The Library Trust Fund is entirely funded by the W. G. Rhea Trust (see also Note 8).

NOTE 3 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Differences Between the Governmental Fund Balance Sheet and the Statement of Net Assets

Adjustments to the balance sheet of governmental funds to the statement of net assets include the following items:

When capital assets that are to be used in governmental activities are purchased, the costs of those assets are reported as expenditures in the governmental funds. However, the statement of net assets includes those capital assets among the assets of the Library as a whole.

Cost of capital assets	\$ 2,331,157
Accumulated depreciation	<u>(2,124,037)</u>
	<u>\$ 207,120</u>

B. Explanation of Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities

The net change in fund balances of governmental funds differs from the change in net assets for governmental activities. The difference arises primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds.

W. G. RHEA PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

When capital assets that are to be used in governmental activities are purchased, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended; whereas, net assets decrease by the amount of depreciation expense charged for the year.

Capital assets purchased	\$	104,892
Capital assets donated		10,710
Depreciation expense		<u>(58,249)</u>
Difference	\$	<u>57,353</u>

NOTE 4 – DEPOSITS AND INVESTMENTS

Custodial Credit Risk

The Library’s policies limit deposits and investments to those instruments allowed by applicable state laws as described in Note 2. State statutes require 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 and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction.

As of June 30, 2012, the bank deposits were fully collateralized.

Investments for the Library are reported at fair value. All investments at June 30, 2012, consisted of certificates of deposit and a money market account.

NOTE 5 – CAPITAL ASSETS

Capital assets acquired in the funds are expensed when purchased. The assets on the government-wide financial statements include only those that have met the Library’s capitalization policy of more than \$100. Amounts remaining in capital outlay in the fund financial statements are for items that were not capitalized. Capital asset activity for the year ended June 30, 2012, was as follows:

W. G. RHEA PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

	Balance at June 30, 2011	Additions	Retirements	Balance at June 30, 2012
Capital assets, being depreciated:				
Buildings	\$ 596,991	\$ 63,991	\$ -	\$ 660,982
Books	1,561,687	19,269	449,997	1,130,959
Furniture	91,944	10,205	7,500	94,649
Equipment	427,902	22,138	5,473	444,567
Total capital assets, being depreciated	<u>2,678,524</u>	<u>115,603</u>	<u>462,970</u>	<u>2,331,157</u>
Less accumulated depreciation for:				
Buildings	589,306	4,320	-	593,626
Books	1,438,795	38,096	449,997	1,026,894
Furniture	88,322	2,431	7,500	83,253
Equipment	412,334	13,403	5,473	420,264
Total depreciation	<u>2,528,757</u>	<u>58,250</u>	<u>462,970</u>	<u>2,124,037</u>
Governmental activities capital assets, net	<u>\$ 149,767</u>	<u>\$ 57,353</u>	<u>\$ -</u>	<u>\$ 207,120</u>

Depreciation expense for the year ended June 30, 2012 was \$58,249.

NOTE 6 – RETIREMENT PLAN

Plan Description

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

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

Funding Policy

The Library requires employees to contribute 5.0 percent 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 10.99% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the Library is established and may be amended by the TCRS Board of Trustees.

W. G. RHEA PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Annual Pension Cost

For the year ending June 30, 2012, the Library's annual pension cost of \$10,521 to TCRS was equal to the Library's required and actual contributions. The required contribution was determined as part of the July 1, 2009, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. 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, 2009 was 20 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	\$ 10,521	100.00%	\$ -
6/30/2011	\$ 11,282	100.00%	\$ -
6/30/2010	\$ 11,254	100.00%	\$ -

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 88.99 percent funded. The actuarial accrued liability for benefits was \$0.38 million, and the actuarial value of assets was \$0.34 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.04 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.09 million, and the ratio of the UAAL to the covered payroll was 47.02 percent.

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

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
July 1, 2011	\$ 338	\$ 380	\$ 42	88.99%	\$ 89	47.02%
July 1, 2009	\$ 282	\$ 328	\$ 46	85.88%	\$ 67	69.24%
July 1, 2007	\$ 268	\$ 268	\$ 9	96.75%	\$ 62	14.52%

NOTE 7 – INTERFUND TRANSFERS

There was a transfer of \$12,438 from the Library Trust Fund into the General Fund.

**W. G. RHEA PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2012

NOTE 8 – W. G. RHEA PUBLIC LIBRARY TRUST FUND

In December 1980, Dr. William Gardner Rhea, Sr. created an irrevocable charitable trust into which he donated \$40,000. Subsequent gifts of \$30,000 each were received in December 1984 and December 1985. The perpetual trust is administered by an independent board of trustees. The trust corpus is not to be invaded per the trust agreement. The sole income beneficiary of the trust is the Library; the trust income for the library fiscal year ended June 30, 2012 was \$3,058. The restrictions on the trust's income are as follows:

“It is directed that the income from this trust shall be used for purposes other than those routinely due to be provided by the City of Paris and Henry County. Examples of such use of income from the trust shall include, but not be limited to, improvement of premises and equipment or the purchase of standard equipment or materials not usually furnished by the General Operating Fund. Routine maintenance of buildings and premises is not eligible for the funds.”

NOTE 9 – RESTRICTED FUND BALANCE

The fund balance of the Library Trust Fund is restricted as its revenues must be expended in accordance with the requirement of the charitable trust from which it receives funding. In addition, the restricted fund balance of the General Fund is for the purposes of construction and technology purchases.

NOTE 10 – RESTRICTED GRANT REVENUE

During the fiscal year ended June 30, 2011, the Library was awarded a Computer Lab Grant in the amount of \$18,983 and all funds were received during the fiscal year. The grant agreement does not specify that the Library is obligated to repay the funds if not expended. However, they had only expended \$18,283 as of year end; therefore, the remaining balance of \$700 is considered restricted fund balance as of June 30, 2012.

NOTE 11 – RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2012, the Library purchased commercial insurance for all the above risks. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in the amount of coverage provided.

REQUIRED SUPPLEMENTARY INFORMATION

W. G. RHEA PUBLIC LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
June 30, 2012

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (D)	Unfunded AAL (UAAL) (D) - (a)	Funded Ratio (a/D)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((D-a)/c)
7/1/2011	\$ 338,000	\$ 380,000	\$ 42,000	88.99%	\$ 89,000	47.02%
7/1/2009	\$ 282,000	\$ 328,000	\$ 46,000	85.88%	\$ 67,000	69.24%
7/1/2007	\$ 268,000	\$ 277,000	\$ 9,000	96.75%	\$ 62,000	14.52%

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

See independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

**W. G. RHEA PUBLIC LIBRARY
GENERAL FUND
SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCE
For the Fiscal Year Ended June 30, 2012**

	<u>Identified in Accounting Records As</u>				<u>Total</u>
	<u>General</u>	<u>Emergency and Misc.</u>	<u>Building</u>	<u>Floor Grant</u>	
Assets					
Cash in bank	\$ 16,230	\$ 31,989	\$ 6,872	\$ -	\$ 55,091
Prepaid insurance	<u>2,942</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,942</u>
Total assets	<u>19,172</u>	<u>31,989</u>	<u>6,872</u>	<u>-</u>	<u>58,033</u>
Liabilities					
Accounts payable and accrued liabilities	<u>565</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>565</u>
Fund balance					
Nonspendable	2,942	-	-	-	2,942
Restricted for construction	-	-	6,872	-	6,872
Restricted - computer lab grant	-	700	-	-	700
Unassigned	<u>15,665</u>	<u>31,289</u>	<u>-</u>	<u>-</u>	<u>46,954</u>
Total fund balance	<u>18,607</u>	<u>31,989</u>	<u>6,872</u>	<u>-</u>	<u>57,468</u>
Total liabilities and fund balance	<u>\$ 19,172</u>	<u>\$ 31,989</u>	<u>\$ 6,872</u>	<u>\$ -</u>	<u>\$ 58,033</u>

See independent auditor's report.

**W. G. RHEA PUBLIC LIBRARY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2012**

	<u>Identified in Accounting Records As</u>				Capital	Total
	<u>General</u>	<u>Emergency and Misc.</u>	<u>Building</u>	<u>Floor Grant</u>	<u>Outlay Reclassified</u>	
Revenues						
Intergovernmental	\$ 247,490	\$ 7,483	\$ -	\$ 21,699	\$ -	\$ 276,672
Charges for services	-	16,955	-	-	-	16,955
Other	<u>2,133</u>	<u>35,761</u>	<u>9,008</u>	<u>-</u>	<u>-</u>	<u>46,902</u>
Total revenues	<u>249,623</u>	<u>60,199</u>	<u>9,008</u>	<u>21,699</u>	<u>-</u>	<u>340,529</u>
Expenditures						
Current:						
Personnel	176,911	42	-	-	-	176,953
Other program related	67,560	68,041	8,697	34,137	(104,892)	73,543
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,892</u>	<u>104,892</u>
Total expenditures	<u>244,471</u>	<u>68,083</u>	<u>8,697</u>	<u>34,137</u>	<u>-</u>	<u>355,388</u>
Excess (deficiency) of revenues over expenditures	5,152	(7,884)	311	(12,438)	-	(14,859)
Other financing sources (uses)						
Transfers in (out)	3,101	(9,662)	6,561	12,438	-	12,438
Net change in fund balance	8,253	(17,546)	6,872	-	-	(2,421)
Fund balance, July 1	<u>10,354</u>	<u>49,535</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,889</u>
Fund balance, June 30	<u>\$ 18,607</u>	<u>\$ 31,989</u>	<u>\$ 6,872</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,468</u>

See independent auditor's report.

**W. G. RHEA PUBLIC LIBRARY
GENERAL ACCOUNT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues				
Intergovernmental:				
Henry County funding	\$ 122,700	\$ 122,700	\$ 123,745	\$ 1,045
City of Paris funding	123,745	123,745	123,745	-
	<u>246,445</u>	<u>246,445</u>	<u>247,490</u>	<u>1,045</u>
Other:				
Other revenue	-	-	2,133	2,133
	-	-	2,133	2,133
Total revenues	<u>246,445</u>	<u>246,445</u>	<u>249,623</u>	<u>3,178</u>
Expenditures				
Personnel:				
Director	33,561	33,561	34,473	912
Assistant director	29,622	29,622	30,349	727
Catalog librarian	22,740	22,740	23,370	630
Circulation librarian	16,809	16,809	17,017	208
Part-time assistants	24,745	24,387	24,791	404
Payroll taxes	10,605	12,010	12,010	-
Employee insurance	24,500	24,380	24,380	-
Retirement	10,521	10,521	10,521	-
	<u>173,103</u>	<u>174,030</u>	<u>176,911</u>	<u>2,881</u>
Other program related:				
Maintenance and repairs	3,000	3,522	3,521	(1)
Building insurance	3,300	3,667	3,667	-
Worker's compensation	800	662	662	-
Miscellaneous	252	37	37	-
Books	23,000	21,097	19,269	(1,828)
Other operating	-	241	241	-
Periodicals	900	606	606	-
Postage	2,000	2,174	2,175	1
Professional fees	1,900	1,845	1,845	-
Reimbursements	-	16	16	-
Supplies	2,400	2,400	2,625	225
Telephone	4,500	4,745	4,745	-
Travel	1,500	1,500	1,500	-
Employee training	400	401	401	-

See independent auditor's report.

**W. G. RHEA PUBLIC LIBRARY
GENERAL ACCOUNT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012**

	Original Budget	Final Budget	Actual	Variance Over (Under)
Janitorial	\$ 4,290	\$ 4,290	\$ 4,290	\$ -
Utilities	19,500	17,730	17,359	(371)
Landscaping	1,600	1,180	1,180	-
Technology	4,000	3,421	3,421	-
	<u>73,342</u>	<u>69,534</u>	<u>67,560</u>	<u>(1,974)</u>
Total expenditures	<u>246,445</u>	<u>243,564</u>	<u>244,471</u>	<u>907</u>
Excess of revenues over expenditures	<u>-</u>	<u>2,881</u>	<u>5,152</u>	<u>2,271</u>
Other financing sources (uses)				
Operating transfers in	-	-	3,101	3,101
Operating transfers out	-	(2,881)	-	2,881
Total other financing sources (uses)	<u>-</u>	<u>(2,881)</u>	<u>3,101</u>	<u>5,982</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>8,253</u>	<u>8,253</u>
Fund balance, July 1	<u>10,354</u>	<u>10,354</u>	<u>10,354</u>	<u>-</u>
Fund balance, June 30	<u>\$ 10,354</u>	<u>\$ 10,354</u>	<u>\$ 18,607</u>	<u>\$ 8,253</u>

See independent auditor's report.

**W. G. RHEA PUBLIC LIBRARY
EMERGENCY & MISCELLANEOUS ACCOUNT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues				
Intergovernmental:				
Special appropriations	\$ 3,500	\$ 3,500	\$ -	\$ (3,500)
BPU grant	-	-	2,000	2,000
LSTA grant	-	-	2,600	2,600
Computer lab grant	-	-	2,883	2,883
	<u>3,500</u>	<u>3,500</u>	<u>7,483</u>	<u>3,983</u>
Charges for services:				
Computer printer revenue	3,200	3,200	2,335	\$ (865)
Copy machine revenue	1,900	1,900	1,055	(845)
E-rate revenue	4,000	4,000	3,677	(323)
Fax revenue	1,900	1,900	1,535	(365)
Fine revenue	3,600	3,600	2,707	(893)
Genealogy revenue	4,500	4,500	3,818	(682)
Nonresident fee	50	50	80	30
Lost book reimbursements	2,200	2,200	1,748	(452)
	<u>21,350</u>	<u>21,350</u>	<u>16,955</u>	<u>(4,395)</u>
Other:				
Donations	6,100	6,100	8,773	2,673
Postage donation	100	100	190	90
Construction revenue	-	-	1,425	1,425
Insurance proceeds	-	-	24,237	24,237
Interest income	150	150	179	29
Miscellaneous	300	300	957	657
	<u>6,650</u>	<u>6,650</u>	<u>35,761</u>	<u>29,111</u>
Total revenues	<u>31,500</u>	<u>31,500</u>	<u>60,199</u>	<u>28,699</u>
Expenditures				
Personnel:				
Bonuses				
Payroll taxes	3,200	3,101	-	(3,101)
Retirement	-	-	42	42
	<u>3,200</u>	<u>3,101</u>	<u>42</u>	<u>(3,059)</u>
Other program related:				
Books	1,000	296	280	(16)
Books on CD	600	303	60	(243)
Banking/Dues	300	250	250	-
Computer printers	1,200	284	284	-
Miscellaneous	193	42	42	-

See independent auditor's report.

**W. G. RHEA PUBLIC LIBRARY
EMERGENCY & MISCELLANEOUS ACCOUNT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
E-Rate	\$ 2,500	\$ -	\$ -	\$ -
Lost book expenditures	100	15	15	-
Materials	2,900	2,833	2,148	(685)
Other	200	-	-	-
Reimbursement expenditures	-	40	40	-
Supplies	-	4,638	4,225	(413)
Maintenance and repairs	2,000	26,369	26,640	271
Travel	1,000	529	523	(6)
Petty cash	200	-	-	-
Postage donation expenditures	100	-	(42)	(42)
Computer technology	20,500	24,866	23,247	(1,619)
Copy machine	4,000	3,921	3,366	(555)
Equipment and furniture	1,000	1,379	1,379	-
Genealogy	4,500	2,730	2,683	(47)
Gifts	200	113	113	-
Printing and binding	100	-	-	-
Donation expenditures	-	10	10	-
Programming	2,700	3,393	2,778	(615)
Construction	-	6,561	-	(6,561)
Special appropriations expenditures	-	21,700	-	(21,700)
	<u>45,293</u>	<u>100,272</u>	<u>68,041</u>	<u>(32,231)</u>
Total expenditures	<u>48,493</u>	<u>103,373</u>	<u>68,083</u>	<u>(35,290)</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (16,993)	\$ (71,873)	\$ (7,884)	\$ 63,989
Other financing uses				
Operating transfers out	-	-	(9,662)	(9,662)
Net change in fund balance	<u>\$ (16,993)</u>	<u>\$ (71,873)</u>	<u>(17,546)</u>	<u>\$ 54,327</u>
Fund balance, July 1			<u>49,535</u>	
Fund balance, June 30			<u>\$ 31,989</u>	

See independent auditor's report.

**W. G. RHEA PUBLIC LIBRARY
LIBRARY TRUST FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012**

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenues				
Other:				
Gift from trust	\$ 4,100	\$ 4,100	\$ 3,847	\$ (253)
Interest revenue	500	500	323	(177)
Total revenues	4,600	4,600	4,170	(430)
 Expenditures				
Audio program	2,200	2,308	2,308	-
Reference materials	1,000	740	740	-
Computer technology	1,600	1,177	1,177	-
Special programming	1,000	890	690	(200)
Summer reading program	1,000	944	944	-
Miscellaneous	200	160	160	-
Grant expenditures	18,000	18,000	-	(18,000)
Total expenditures	25,000	24,219	6,019	(200)
Excess (deficiency) of revenues over (under) expenditures	\$ (20,400)	\$ (19,619)	(1,849)	\$ 17,770
 Other financing uses				
Operating transfers out	-	-	(12,438)	(12,438)
Net change in fund balance	\$ (20,400)	\$ (19,619)	(14,287)	\$ 5,332
Fund balance, July 1			55,935	
Fund balance, June 30			\$ 41,648	

See independent auditor's report.

**W. G. RHEA PUBLIC LIBRARY
BUILDING ACCOUNT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Over / (Under)</u>
Revenues				
Other:				
Benefit revenue	\$ -	\$ -	\$ 1,800	\$ 1,800
Church contributions	-	-	175	175
Civic contributions	-	-	200	200
Foundation contributions	-	-	2,200	2,200
Individual contributions	-	-	4,633	4,633
Total revenues	<u>-</u>	<u>-</u>	<u>9,008</u>	<u>9,008</u>
Expenditures				
Building improvements	-	-	5,439	5,439
Equipment maintenance and repairs	-	-	2,294	2,294
Furniture	-	-	202	202
Postage	-	-	347	347
Printing and copying	-	-	266	266
Supplies	-	-	88	88
Travel	-	-	61	61
Total expenditures	<u>-</u>	<u>-</u>	<u>8,697</u>	<u>8,636</u>
Excess of revenues over expenditures	\$ -	\$ -	311	\$ 311
Other financing sources				
Operating transfers in	-	-	6,561	6,561
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>6,872</u>	<u>\$ 6,872</u>
Fund balance, July 1			<u>-</u>	
Fund balance, June 30			<u>\$ 6,872</u>	

See independent auditor's report.

**W. G. RHEA PUBLIC LIBRARY
 USDA GRANT ACCOUNT
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues				
Intergovernmental:				
USDA grant	\$ -	\$ -	\$ 21,699	\$ 21,699
Total revenues	<u>-</u>	<u>-</u>	<u>21,699</u>	<u>21,699</u>
Expenditures				
Legal fees	-	-	275	275
Maintenance service	-	-	520	520
Maintenance and repairs	-	-	32,252	32,252
Printing and copying	-	-	5	5
Supplies	-	-	960	960
Workers expense	-	-	125	125
Total expenditures	<u>-</u>	<u>-</u>	<u>34,137</u>	<u>34,137</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	(12,438)	\$ (12,438)
Other financing sources				
Operating transfers in	<u>-</u>	<u>-</u>	<u>12,438</u>	<u>12,438</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, July 1			<u>-</u>	
			<u>\$ -</u>	

See independent auditor's report.

W. G. RHEA PUBLIC LIBRARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2012

<u>Grant or Program</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>(Accrued) Deferred 7/1/2011</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>(Accrued) Deferred 6/30/2012</u>
Institute of Museum and Library Services, Tennessee State Library and Archives						
Passed through Tennessee Department of State:						
Grants to State	45.310	3029	\$ -	\$ 2,600	\$ 2,600	\$ -
Department of Agriculture Rural Housing Service						
Community Facilities						
Loans and Grants	10.766	USDA	-	9,700	9,700	-
Department of Agriculture Rural Housing Service						
Community Facilities						
Loans and Grants	10.766	USDA	-	12,000	12,000	-
Department of Agriculture Rural Housing Service						
ARRA - Community Facilities Loans and Grants						
Flooring Project Grant	10.780	USDA	-	2,883	2,883	-
Total Federal Awards			\$ -	\$ 27,183	\$ 27,183	\$ -

Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards summarizes the expenditures of the W.G. Rhea Public Library under programs of the federal government for the year ended June 30, 2012. The expenditures are presented using the modified accrual basis of accounting.

See independent auditor's report.

W. G. RHEA PUBLIC LIBRARY
SCHEDULE OF STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended June 30, 2012

<u>Grant or Program</u>	<u>Contract Number</u>	<u>(Accrued) Deferred 7/1/2011</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>(Accrued) Deferred 6/30/2012</u>
Rural Libraries Computer Grant	2780	\$ 16,202	\$ -	\$ 15,502	\$ 700
Total State Awards		<u>\$ 16,202</u>	<u>\$ -</u>	<u>\$ 15,502</u>	<u>\$ 700</u>

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

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Certified Public Accountants
Offices in Tennessee & Kentucky

227 Oil Well Rd.
Jackson, TN 38305

Phone 731.427.8571
Fax 731.424.5701
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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***

The Board of Trustees
W. G. Rhea Public Library
Paris, Tennessee

We have audited the financial statements of the governmental activities and each major fund of the W.G. Rhea Public Library, Paris, Tennessee (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 December 13, 2013. 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 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 opinion 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 financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the 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 previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

We noted certain matters that we reported to management of the Library, in a separate letter dated December 13, 2013.

This report is intended solely for the information and use of the Board of Trustees, management, 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.



Certified Public Accountants
Jackson, Tennessee
December 13, 2013

W. G. RHEA PUBLIC LIBRARY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2012

Current Year Findings

None reported.

Prior Year Findings

None reported.