MACON COUNTY LIBRARY SYSTEM

MACON COUNTY LIBRARY BOARD FUNDS

Financial Statements

For the Year Ended June 30, 2013

MACON COUNTY LIBRARY SYSTEM – MACON COUNTY LIBRARY BOARD FUNDS

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INTRODUCTORY SECTION

MACON COUNTY BOARD OF LIBRARY TRUSTEES

James Ralph Howser, Chairman
802 Sylvian Drive
Lafayette, TN 37083
615-666-2333 w; 6444 h; 2202 fax 572-6708
Term expires 6/30/14

Frances Darnell, Vice Chair
7208 Scottsville Road
Lafayette, TN 37083
615-666-2547; cell 633-7456
Term expires 6/30/13

GeorgiaAnn Boles, Secretary
631 Bethany Road
Red Boiling Springs, TN 37150
615-699-3202
Term expires 6/30/13

Mike Wells, Treasurer
621 Hwy. 52 Bypass E.
P.O. Box 157
Lafayette, TN 37083
615-666-4565; fax 4775
Term expires 6/30/12

George McCrary
819 Lafayette Road
Red Boiling Springs, TN 37150
615-699-2705; 888-6448
Term expires 6/30/14

Nancy Doss
762 Poplar Grove Road
Westmoreland, TN 37186
615-644-5179
Term expires 6/30/14

Betty M. Scott
4233 Green Grove Road
Hartsville, TN 37074
615-655-5420
Term expires 6/30/12

Director:
Julia Burrow
311 Church Street
Lafayette, TN 37083
615-666-4340 w; 615-655-4740 h

Red Boiling Springs Branch Library
335 East Main Street
Red Boiling Springs, TN 37150
615-699-3701; fax 3777

Regional Director*:

Faith Holdredge
Upper Cumberland Regional Library
208 East Minnear Street
Cookeville, TN 38501-3949
888-920-4016

Becky Bailey, Regional Director
Warioto Regional Library Center
1753 A Alpine Drive
Clarksville, TN 37040
(931) 645-9531 Phone or
1-800-644-9552 (TN only)
(931) 645-6695 Fax
Becky.Bailey@tn.gov

FINANCIAL SECTION

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

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(615) 822-4177

Independent Auditor's Report

To the Macon County Library Board
Lafayette, Tennessee

Report on the Financial Statements
I have audited the accompanying financial statements of the Macon County Library System – Macon County Library Board Funds as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Boards' basic financial statements as listed in the table of contents. As discussed in Note 1, the financial statements present only the Macon County Library System – Macon County Library Board Funds and do not purport to, and do not present fairly the financial position of the Macon County Library System or Macon County, Tennessee as of June 30, 2013, the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
My responsibility is to express opinions on these financial statements based on my audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting policies made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for the audit opinions.

Opinions
In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Macon County Library System – Macon County Library Board Funds as of June 30, 2013, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters -Required Supplementary Information

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

Other Matters -Other Information

The audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The Introductory Section and the Supplementary Information, are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The Introductory Section and the Supplementary Information have 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 Introductory Section and the Supplementary Information, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 30, 2013 on the consideration of the Board's internal control over financial reporting and the tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of the 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* in considering the entity's internal control over financial reporting and compliance.

Josh R Poole, CPA

November 30, 2013

MACON COUNTY LIBRARY SYSTEM - MACON COUNTY LIBRARY BOARD FUNDS

Balance Sheet

June 30, 2013

Assets	
Current Assets:	
Cash and cash equivalents	$16,600
Total Current Assets	16,600
Total Assets	$16,600
Liabilities	
Current Liabilities	
Accounts payable	0
Total Current Liabilities	0
Fund Balance:	
Unassigned	16,600
Total Fund Balance	$16,600

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

MACON COUNTY LIBRARY SYSTEM - MACON COUNTY LIBRARY BOARD FUNDS

Statement of Revenues, Expenditures and Changes in Fund Balance

For the Year Ended June 30, 2013

Revenues:	
Donations	$5,325
Fines and fees	9,121
Municipal contributions	3,000
Interest income	207
Total Operating Revenues	17,653
Expenditures:	
Books and periodicals purchased	3,242
Supplies	4,142
Repair and maintenance	2,893
Professional services	13,980
Library programs - children	1,225
Miscellaneous	2,340
Capital outlay	13,470
Total Operating Expenditures	41,292
Operating transfer: to Macon County	(34,205)
Net change in fund balance	(57,844)
Fund Balance, June 30, 2012	74,444
Fund Balance, June 30, 2013	$16,600

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

MACON COUNTY LIBRARY SYSTEM – MACON COUNTY LIBRARY BOARD FUNDS

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

The Macon County Library System – Macon County Library Board Funds (Board Funds) is a part of the Macon County Library System, which is a department of Macon County, Tennessee. Macon County, Tennessee has allowed the Macon County Library System – Macon County Library Board Funds to have authority over certain funds, primarily funds donated to the Library Board and earned from various fines and fees. The audit of the Macon County Library System – Macon County Library Board Funds presented here is only for those funds mentioned above. The Macon County Library System – Macon County Library Board Funds does not contain any of the capital assets of the Macon County Library System nor does it cover the significant costs (personnel and occupancy) of the Macon County Library System. Macon County, Tennessee provides for the personnel and occupancy costs of the Macon County Library System.

Reporting Entity:

Governmental Accounting Standards Board (GASB) Statement Number 14, "The Financial Reporting Entity" requires that financial statements present the reporting entity which consists of the primary government and any "Component Unit" organizations for which the primary government is financially accountable and any other "Component Unit" organizations for which the nature and significance of their relationship with the primary government are such that exclusion, could cause the Board Fund's financial statements to be misleading. There were no component units requiring blended or discrete presentation under the requirements of GASB Statement Number 14.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmental fund revenues are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and collectable within the current period (30 days) or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded generally when a liability is incurred, as under accrual accounting.

When both restricted and unrestricted resources are available for use, it is the Board Fund's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of deposit accounts, certificates of deposit with original maturities three months or less. When both restricted and unrestricted resources are available for use, it is the Board Fund's policy to use restricted resources first, then unrestricted resources as they are needed.

(1) Summary of Significant Accounting Policies, Continued

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Deferred Revenue

Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period (30 days). Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to resources, the deferred revenue is removed from the statement of Net Position and revenue is recognized. There was no deferred revenue at yearend.

Budgets and Budgetary Accounting

The Library Board follows these procedures in establishing the budgetary data reflected in the financial statements:

a. Formal budgets are adopted and approved by Library Board vote on an annual basis. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

b. The budget amounts are not shown in the financial statements as these amounts were not approved by the County Commission which is required by Tennessee Code Annotated, and as such the Library does not have a legally adopted budget.

Fund Balance

The Board implemented GASB 54 which addresses issues related to how fund balances are reported. Fund balances are now reported in the following manner:

Nonspendable fund balances – amounts that are not in a spendable form, Restricted fund balance – amounts constrained to specific purposes by their providers, provisions, or by enabling legislation, Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint, Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority (Board), Unassigned fund balance – amounts that are available for any purpose; these amounts are reported only in the general fund.

Only by Board approval (via ordinance) can fund balance amounts be classified as committed or assigned. Board approval (via ordinance) is required to establish, modify or rescind a fund balance requirement.

(2) Cash and Cash Equivalents

The Board Funds are authorized to invest funds in financial institution demand deposit accounts and certificates of deposit. During the year, the Board Funds invested funds that were not immediately needed in certificates of deposits and savings accounts. The Board Funds has deposit policies to minimize custodial credit risks. Deposits in financial institutions are required by State Statute to be secured and collateralized by the institutions.

The collateral must meet certain requirements and be deposited in an escrow account in a second bank for the benefit of the Board Funds and must total a minimum 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. The Board Funds deposits with financial institutions are fully insured or collateralized by securities held in the government's name.

(3) Risk Management

The activities of the Macon County Library System are covered under the insurance policies of Macon County, Tennessee. The Macon County Library System – Macon County Library Board Funds has no insurance for their activities. Based on discussion with Board Funds management additional insurance coverage is not carried given their limited activities.

SUPPLEMENTAL INFORMATION

Financial schedules are used to demonstrate finance related legal and contractual compliance, provide details of data summarized in the financial statements and present other information deemed useful.

MACON COUNTY LIBRARY SYSTEM - MACON COUNTY LIBRARY BOARD FUNDS

Schedule of Cash and Cash Equivalents

June 30, 2013

	Carrying Value
Cash and Cash equilavents	
Petty cash	80
Macon County Operations Account	16,520
Total Cash and cash equilavents	16,600

COMPLIANCE AND INTERNAL CONTROL

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITORS' 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*

To the Macon County Library Board
Lafayette, Tennessee

I have audited 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, the financial statements of the Macon County Library System – Macon County Library Board Funds as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Macon County Library System – Macon County Library Board Funds' basic financial statements, and have issued a report thereon dated November 30, 2013.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Macon County Library System – Macon County Library Board Funds' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Macon County Library System – Macon County Library Board Funds' internal control. Accordingly, I do not express an opinion on the effectiveness of the Macon County Library System – Macon County Library Board Funds' internal control.

My consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weakness or significant deficiencies may exist that were not identified. However, as discussed below, I identified a deficiency in internal control that I consider to be a material weakness (2006-01 Lack of segregation of Duties).

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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. I consider the deficiency described below (2006-01) to be a material weakness.

The material weakness is as follows:

2006-01 Separation of Duties

Due to the limited number of personnel employed by the Library Board, several functions, which ideally should be performed by different individuals, are regularly performed by one or two persons. I recommend that the Library Board strengthen its internal control in cash receipts, cash disbursements, and reconciliation of cash.

Management Response:

Due to the size of the office, a complete separation of duties is not possible. However we are continuing to monitor office responsibilities and segregate duties as needed.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Macon County Library System – Macon County Library Board Funds' financial statements are free of material misstatement, I 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 the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the audit and, accordingly, I do not express such an opinion. The results of the tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Response to Finding

The Macon County Library System – Macon County Library Board Funds' response to the finding identified in the audit is described above. The Macon County Library System – Macon County Library Board Funds' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of the testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

John R Poole, CPA

November 30, 2013