

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

**ARGIE COOPER
PUBLIC LIBRARY**

Shelbyville, Tennessee
June 30, 2013

WINNETT
Associates, PLLC

Certified Public Accountants and Consultants

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DIRECTORY OF OFFICIALS
ARGIE COOPER PUBLIC LIBRARY

June 30, 2013

Members of the Library Board of Trustees:

Members appointed by Bedford County Board of Commissioners:

Ben Craig	Gaynelle Pitner
Missy Eakin	Alice Russell
Fred Hunt	Al Simmons
Amy Mitchell	

Members appointed by Shelbyville City Council:

Monnie Caine	Daryl O'Neal
Susan Derryberry	Kay Rose
Marilyn Ewing	Monty Thomas
Lynn Hulan	

Regional Library Board Members:

Rheaetta Wilson
Barbara Morgan

Officers:

Chairman	Fred Hunt
Vice-Chairman	Monty Thomas
Secretary	Marilyn Ewing
Treasurer	Gaynelle Pitner

Librarian: Pat Hastings

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Argie Cooper Public Library
Shelbyville, Tennessee

Report on the Financial Statements

We have been engaged to audit the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, and each major fund of Argie Cooper Public Library (the Library) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

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

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 from 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions included in the "Unmodified Opinions" paragraph.

Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Library's aggregate discretely presented component units.

Basis for Disclaimer of Opinion

The financial statements of Friends of Argie Cooper Public Library (the Friends) and Argie Cooper Public Library Foundation (the Foundation) have not been audited, and we were not engaged to audit their financial statements as part of our audit of the Library's basic financial statements. The Friends and the Foundation's financial activities are included in the Library's basic financial statements as discretely presented component units and represent all of the assets, net position, and revenues, respectively, of the Library's aggregate discretely presented component units.

Disclaimer of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion" paragraph, we have been unable to obtain sufficient appropriate evidence to provide the basis for an audit opinion, and, accordingly, we do not express, an opinion on the financial position of the aggregate discretely presented component units for the Argie Cooper Public Library as of June 30, 2013, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Argie Cooper Public Library as of June 30, 2013, and the respective changes in 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

Accounting principles generally accepted in the United States of America require that the schedule of funding progress on page 20 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial

reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Argie Cooper Public Library's basic financial statements. The introductory section and supplementary section are presented for purposes of additional analysis and are 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 is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2013, on our consideration of Argie Cooper 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 of 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* in considering the Library's internal control over financial reporting and compliance.

Winnett Associates, PLLC

December 31, 2013

STATEMENT OF NET POSITION
ARGIE COOPER PUBLIC LIBRARY

June 30, 2013

	Primary Government	Component Units	
	Governmental Activities	Friends of the Library	Library Foundation
ASSETS			
Cash	\$ 19,601	\$ 4,407	\$ 162,845
Accrued interest	52	-	-
Unconditional promises to give, net of uncollectible pledges of \$25,652	-	-	226,963
Prepaid insurance	850	-	-
Investments	55,732	-	120,146
Capital assets net of accumulated depreciation	422,853	-	243,625
TOTAL ASSETS	<u>\$ 499,088</u>	<u>\$ 4,407</u>	<u>\$ 753,579</u>
LIABILITIES			
Accounts payable	\$ 6,468	\$ -	\$ -
Payroll taxes payable	3,537	-	-
Accrued vacation liability	4,546	-	-
Noncurrent liabilities:			
Due within one year	2,041	-	-
Not due within one year	6,240	-	-
TOTAL LIABILITIES	<u>22,832</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	414,572	-	-
Restricted for:			
Construction of new building	-	-	753,579
Endowment-expendable	-	-	-
Endowment-nonexpendable	43,104	-	-
Unrestricted	18,580	4,407	-
TOTAL NET POSITION	<u>476,256</u>	<u>4,407</u>	<u>753,579</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 499,088</u>	<u>\$ 4,407</u>	<u>\$ 753,579</u>

The accompanying notes are an integral part of this financial statement.

STATEMENT OF ACTIVITIES
ARGIE COOPER PUBLIC LIBRARY

For the year ended June 30, 2013

					Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units	
						Friends of the Library	Library Foundation
Primary government:							
General government-Library	\$ 329,920	\$ 22,469	\$ 284,093	\$ 23,732	\$ 374	\$ -	\$ -
Component units:							
Friends of the Library	\$ 8,107	\$ 7,952	\$ -	\$ -	\$ -	\$ (155)	\$ -
Library Foundation	25,554	-	-	22,908	-	-	(2,646)
Total component units	<u>\$ 33,661</u>	<u>\$ 7,952</u>	<u>\$ -</u>	<u>\$ 22,908</u>	<u>\$ -</u>	<u>\$ (155)</u>	<u>\$ (2,646)</u>
∞							
General revenues:							
Unrestricted investment earnings					\$ 632	\$ -	\$ 1,159
Total general revenues					<u>632</u>	<u>-</u>	<u>1,159</u>
Change in net position					1,006	(155)	(1,487)
Net position - beginning					475,250	4,562	755,066
Net position - ending					<u>\$ 476,256</u>	<u>\$ 4,407</u>	<u>\$ 753,579</u>

The accompanying notes are an integral part of this financial statement.

**BALANCE SHEET
GOVERNMENTAL FUNDS
ARGIE COOPER PUBLIC LIBRARY**

June 30, 2013

	General Fund	Permanent Fund	Total Governmental Funds
<u>ASSETS</u>			
Cash	\$ 8,946	\$ 10,655	\$ 19,601
Accrued interest and dividends	2	50	52
Prepaid insurance	850	-	850
Investments	639	55,093	55,732
TOTAL ASSETS	\$ 10,437	\$ 65,798	\$ 76,235
<u>LIABILITIES</u>			
Accounts payable	\$ 6,468	\$ -	\$ 6,468
Payroll taxes payable	3,537	-	3,537
TOTAL LIABILITIES	10,005	-	10,005
<u>FUND BALANCES</u>			
Nonspendable - prepaid insurance	850	-	850
Nonspendable - endowment principal	-	43,104	43,104
Assigned - permanent fund	-	22,694	22,694
Unassigned	(418)	-	(418)
TOTAL FUND BALANCES	432	65,798	66,230
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,437	\$ 65,798	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

422,853

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

(12,827)

\$ 476,256

The accompanying notes are an integral part of this financial statement.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

ARGIE COOPER PUBLIC LIBRARY

For the year ended June 30, 2013

	General Fund	Permanent Fund	Total Governmental Funds
SUPPORT AND REVENUES:			
Support:			
Appropriation from Bedford County, Tennessee	\$ 142,390	\$ -	\$ 142,390
Appropriation from Shelbyville, Tennessee	130,500	-	130,500
TOTAL SUPPORT	272,890	-	272,890
Revenues:			
Gifts and memorials	11,203	-	11,203
Grants	1,750	-	1,750
Fines	1,908	-	1,908
Interest income	43	403	446
Book sales	5,313	-	5,313
Laminating	18	-	18
Equipment use-copy machine	5,097	-	5,097
Equipment use-fax	1,950	-	1,950
Library cards	810	-	810
Lost books/materials	742	-	742
Miscellaneous income	3,549	-	3,549
Unrealized gain on investment	186	-	186
TOTAL REVENUES	32,569	403	32,972
TOTAL SUPPORT AND REVENUES	305,459	403	305,862
EXPENDITURES:			
Salaries and benefits	204,389	-	204,389
Books	15,874	-	15,874
Capital outlay/ capital lease	14,444	-	14,444
Utilities	15,082	-	15,082
Maintenance and repairs	10,457	-	10,457
Supplies	8,616	-	8,616
Periodicals	4,860	-	4,860
Insurance	4,647	-	4,647
Audio visual materials	2,854	-	2,854
Professional services	4,400	-	4,400
Electronic materials	3,579	-	3,579
Summer reading program	600	-	600
Printing and binding	1,880	-	1,880
Communications	6,984	-	6,984
Travel and professional dues	821	-	821
Automation and support	749	-	749
Miscellaneous	1,439	-	1,439
Bookmobile	1,580	-	1,580
Other fees	727	-	727
TOTAL EXPENDITURES	303,982	-	303,982
NET CHANGE IN FUND BALANCES	1,477	403	1,880
FUND BALANCES AT JULY 1, 2012	(1,045)	65,395	64,350
FUND BALANCES AT JUNE 30, 2013	\$ 432	\$ 65,798	\$ 66,230

The accompanying notes are an integral part of this financial statement.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

ARGIE COOPER PUBLIC LIBRARY

For the year ended June 30, 2013

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

Net change in fund balances - total governmental funds	\$ 1,880
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized	24,070
Depreciation expense	(56,960)
The net effect of various miscellaneous transactions involving capital assets is to increase (decrease) net position:	
Donation of capital assets	21,982
Sales and abandonments of capital assets	3,950
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	
Capital lease obligation principal payments	2,213
Principal remaining on terminated lease	3,080
Some expenses reported in the statement of activities do not require current financial resources and therefore are not reported as expenditures in governmental funds:	
Compensated absences	791
Change in net position of governmental activities	<u>\$ 1,006</u>

The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS
ARGIE COOPER PUBLIC LIBRARY

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Financial Reporting Entity and Introduction

Argie Cooper Public Library is a joint venture of Bedford County and the City of Shelbyville, Tennessee, who provide the Library's primary support. The Library operates under Tennessee State Law and the rules and regulations of the Stones River Regional Library, and provides materials which help meet the informational and recreational needs of area residents.

The Library is governed by a voluntary, fourteen member Board of Trustees appointed by the County and the City.

Component units of the Argie Cooper Public Library include Friends of Argie Cooper Public Library and the Argie Cooper Public Library Foundation. These entities do not issue separately audited financial statements. The component units are reported in the financial statements as shown in the following table:

<u>Discretely Presented Component Units</u>	<u>Brief Description of Activities and Relationship to Library</u>
Friends of Argie Cooper Public Library	Established to raise funds for the direct benefit of the Argie Cooper Public Library. The Friends of the Argie Cooper Public Library is governed by a council comprised of twelve members who are approved by its membership. The Friends of the Argie Cooper Public Library accounts for its activities using the full accrual basis of accounting.
Argie Cooper Public Library Foundation (The Foundation)	The purpose of the Foundation is to solicit, receive, administer, invest, and disburse funds for the advancement of the Argie Cooper Public Library. The Foundation's Board of Directors is comprised of twenty-five members who are nominated and voted upon by the Argie Cooper Public Library's Board of Directors. The Foundation accounts for its activities using the full accrual basis of accounting.

(2) Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units.

The statement of activities demonstrates the degree to which the direct expenses of a 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. Other items not properly included among program revenues are reported instead as general revenues.

NOTES TO FINANCIAL STATEMENTS (Continued)

ARGIE COOPER PUBLIC LIBRARY

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) Government-wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Each of these funds is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues and expenses or expenditures. The following funds are used by the Library:

General Fund - This fund is the Library's primary operating fund. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

Permanent Fund - This fund represent gifts and bequests, which have been accepted with the donor stipulation that the principal be maintained intact in perpetuity or for a specified period, with only the income to be utilized.

(3) Measurement Focus and Basis of Accounting

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 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

(4) Budgetary Data

Budgeting is employed as a management control for the general fund of the Library. Although not legally required, an annual operating budget is adopted each fiscal year and submitted to the County and to the City for their consideration of requested appropriations.

NOTES TO FINANCIAL STATEMENTS (Continued)

ARGIE COOPER PUBLIC LIBRARY

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(5) Fund Balance Policies

Fund balance of governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

Nonspendable fund balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal vote of the Library Board of Trustees, the Library's highest level of decision-making authority.

Assigned fund balance – includes amounts that are constrained by the Library's intent to be used for specific purposes, but are neither restricted nor committed. The Library Board of Trustees has not authorized anyone to make assignments.

Unassigned fund balance – the residual classification of the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

(6) Fund Balance Flow Assumption

Sometimes the Library will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Library's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, the Library Board of Trustees will determine the best use of funds based on the specific facts and circumstances at that time.

NOTES TO FINANCIAL STATEMENTS (Continued)

ARGIE COOPER PUBLIC LIBRARY

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(7) Net Position Flow Assumption

The Library will on occasion fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Library's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

(8) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Library does not have any items that qualify for reporting in this category as of June 30, 2013.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Library does not have any items that qualify for reporting in this category as of June 30, 2013.

(9) Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the governmental activities are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Books	10
Buildings and improvements	25 - 50
Furniture and equipment	5 - 50
Vehicles	10 - 15

NOTES TO FINANCIAL STATEMENTS (Continued)

ARGIE COOPER PUBLIC LIBRARY

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(10) Vacation Pay

The Library grants vacation time to full-time employees based on the amount of time they have been employed at the library. Vacation time is available on January 1 of each calendar year, and up to 5 days are allowed to be carried over from one year to the next. Upon termination, vacation time will not be paid. As of June 30, 2013, the liability for accrued vacation is \$4,546 and is recorded in the statement of net position.

(11) Investments

Investments are carried at fair market value as of June 30, 2013.

NOTE B - CASH DEPOSITS

The Library has not formally adopted deposit and investment policies that limit the allowable deposits or investments and address the specific types of risks to which they are exposed. They also do not have a formal policy that limits custodial credit risk for deposits. Custodial credit risk is the risk that in the event of a bank failure the Library's deposits may not be returned to it.

The Library's deposits at June 30, 2013, were entirely covered by federal depository insurance.

NOTE C - INVESTMENTS

<u>General Fund</u>	<u>Amount</u>
Regions Financial Corp. - Common (67 shares)	\$ <u>639</u>
<u>Permanent Fund</u>	
Certificate of Deposit	<u>Issue Date</u> January 25, 2013
	<u>Maturity Date</u> January 25, 2014
	\$ <u>55,093</u>
<u>Library Foundation</u>	
Money Market Funds	\$ <u>120,146</u>

NOTE D - PROMISES TO GIVE

Unconditional promises to give of the Foundation consist of the following:

Amounts pledged for construction of new building	\$	252,615
Less provision for uncollectible pledges		<u>25,652</u>
		<u>\$ 226,963</u>

Amounts due in more than one year do not have a discount factor applied since the discounted amount is not deemed significant.

NOTES TO FINANCIAL STATEMENTS (Continued)

ARGIE COOPER PUBLIC LIBRARY

June 30, 2013

NOTE E - COMMITMENTS AND CONTINGENCIES

The Library receives a substantial amount of its support from local governments. A significant reduction in the level of this support, if this were to occur, could have a significant effect on the Library's programs and activities.

NOTE F - COMMERCIAL INSURANCE

It is the policy of the Library to purchase commercial insurance for the risk of losses to which it is exposed. The insurance purchased includes general liability, property and casualty, and worker's compensation. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE G - CAPITAL LEASE

The Library has entered into lease agreements as lessee for financing the acquisition of capital assets. These lease agreements are capital leases for accounting purposes and, therefore, have been recorded at the fair value of the leased property as of the inception date.

The assets acquired through the capital leases for the governmental activities are as follows:

Asset:

Equipment	\$ 11,280
Less: accumulated depreciation	<u>(3,452)</u>
Total	<u>\$ 7,828</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013, were as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Governmental</u> <u>Activities</u>
2014	\$ 4,853
2015	3,873
2016	3,873
2017	<u>2,259</u>
Total minimum lease payments	14,858
Less: amount representing interest	<u>(6,577)</u>
Present value of minimum lease payments	<u>\$ 8,281</u>

Long-term liability activity for the year ended June 30, 2013 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts Due</u> <u>Within One Year</u>
Noncurrent liabilities	\$ 5,794	\$ 7,780	\$ 5,293	\$ 8,281	\$ 2,041

NOTES TO FINANCIAL STATEMENTS (Continued)

ARGIE COOPER PUBLIC LIBRARY

June 30, 2013

NOTE H - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 112,500	\$ -	\$ -	\$ 112,500
Capital assets, being depreciated:				
Buildings	357,398	-	-	357,398
Books	371,882	36,970	25,211	383,641
Furniture	46,800	5,105	-	51,905
Fixtures	58,755	-	-	58,755
Equipment	<u>74,625</u>	<u>11,758</u>	<u>14,142</u>	<u>72,241</u>
Total capital assets being depreciated	909,460	53,833	39,353	923,940
Less accumulated depreciation for:				
Buildings	314,212	7,213	-	321,425
Books	174,967	40,604	25,211	190,360
Furniture	25,179	1,135	-	26,314
Fixtures	41,376	1,380	-	42,756
Equipment	<u>44,195</u>	<u>6,629</u>	<u>18,092</u>	<u>32,732</u>
Total accumulated depreciation	<u>599,929</u>	<u>56,961</u>	<u>43,303</u>	<u>613,587</u>
Total capital assets, being depreciated, net	<u>309,531</u>	<u>(3,128)</u>	<u>(3,950)</u>	<u>310,353</u>
Governmental activities capital assets, net	<u>\$ 422,031</u>	<u>\$ (3,128)</u>	<u>\$ (3,950)</u>	<u>\$ 422,853</u>

On June 30, 2000, the library received a tract of land donated by the City of Shelbyville valued at \$107,500. The tract of land is to be used as the site of the new library building. The warranty deed comes with the stipulation that construction on the library must begin within five years from the date of the deed or the land will revert back to the City of Shelbyville. The term on that deed was extended, and expired on June 30, 2010. The Library is currently working with the City to obtain an additional extension.

NOTES TO FINANCIAL STATEMENTS (Continued)

ARGIE COOPER PUBLIC LIBRARY

June 30, 2013

NOTE H - CAPITAL ASSETS (Continued)

Capital asset activity for the Foundation for the year ended June 30, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 47,000	\$ -	\$ -	\$ 47,000
Capital assets, being depreciated:				
Buildings	196,625	-	-	196,625
Less accumulated depreciation for:				
Buildings	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, being depreciated, net	<u>196,625</u>	<u>-</u>	<u>-</u>	<u>196,625</u>
Foundation capital assets, net	<u>\$ 243,625</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 243,625</u>

NOTE I - PENSION PLAN

A. Plan Description

Employees of Argie Cooper Public 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 10 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 ten 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 Argie Cooper Public Library participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

NOTES TO FINANCIAL STATEMENTS (Continued)

ARGIE COOPER PUBLIC LIBRARY

June 30, 2013

NOTE I - PENSION PLAN (Continued)

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, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

B. Funding Policy

Argie Cooper Public Library requires employees to contribute 5.0 percent of earnable compensation.

Argie Cooper Public Library is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2013 was 0.00% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Argie Cooper Public Library is established and may be amended by the TCRS Board of Trustees.

C. Annual Pension Cost

For the year ending June 30, 2013, Argie Cooper Public Library's annual pension cost of \$0 to TCRS was equal to Argie Cooper Public Library's required and actual contributions. The required contribution was determined as part of the July 1, 2011 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. Argie Cooper Public 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, 2011 was 9 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

TREND INFORMATION

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/13	\$-0-	100%	\$-0-
6/30/12	-0-	100%	-0-
6/30/11	-0-	100%	-0-

NOTES TO FINANCIAL STATEMENTS (Continued)

ARGIE COOPER PUBLIC LIBRARY

June 30, 2013

NOTE I - PENSION PLAN (Continued)

D. Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 100.00 percent funded. The actuarial accrued liability for benefits was \$0.38 million, and the actuarial value of assets was \$0.38 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.00 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.14 million, and the ratio of the UAAL to the covered payroll was 0.00 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.

REQUIRED SUPPLEMENTARY INFORMATION
ARGIE COOPER PUBLIC LIBRARY

June 30, 2013

Political Subdivision Pension Plan
Schedule of Funding Progress

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability - Entry Age (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
07/01/11	\$ 384	\$ 384	\$ -	100.00 %	\$ 136	0.00 %
07/01/09	309	309	-	100.00	115	0.00
07/01/07	285	285	-	100.00	109	0.00

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

ARGIE COOPER PUBLIC LIBRARY

Year ended June 30, 2013

Grantor Agency	Program Name	CFDA Number	Contract Number	Beginning Accrued	Cash Receipts	Expenditures	Ending Accrued
<u>FEDERAL AWARDS</u>							
Institute of Museum and Library Services(1)	Grants to States	45.310	30504-01213-02	\$ -	\$ 1,750	\$ 1,750	\$ -
Institute of Museum and Library Services(1)	Grants to States	45.310	28694	395	395	395	-
	TOTAL FEDERAL AWARDS			<u>395</u>	<u>1,750</u>	<u>2,145</u>	<u>-</u>
<u>STATE FINANCIAL ASSISTANCE</u>							
None				-	-	-	-
	TOTAL STATE FINANCIAL ASSISTANCE			<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	TOTAL STATE AND FEDERAL AWARDS			<u>\$ 395</u>	<u>\$ 1,750</u>	<u>\$ 2,145</u>	<u>\$ -</u>

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Note 1: This Schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of Argie Cooper Public Library under programs of the federal and state governments for the year ended June 30, 2013. The schedule is presented using the modified accrual basis of accounting.

(1) - Federal funds passed through the State of Tennessee, Department of State, Tennessee State Library and Archives.

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

Board of Trustees
Argie Cooper Public Library
Shelbyville, Tennessee

We have audited, in accordance with the 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 governmental activities, the aggregate discretely presented component units and each major fund of Argie Cooper Public Library, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Argie Cooper Public Library's basic financial statements, and have issued our report thereon dated December 31, 2013. As described in our report on Argie Cooper Public Library's financial statements the aggregate discretely presented component units were not audited. Therefore, this report does not include the results of testing of internal control over financial reporting or compliance and other matters of the aggregate discretely presented component units.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Argie Cooper Public Library's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of Bedford Railroad Authority's internal control.

Our consideration of internal control over financial reporting 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 weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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

We consider the following deficiencies in Argie Cooper Public Library's internal control over financial reporting to be material weaknesses:

Condition, Criteria, Cause and Effect: The Library does not employ anyone trained to prepare financial statements for external reporting in accordance with generally accepted accounting principles.

Recommendation: Management of the Library should determine whether it would be financially feasible to train or hire someone to be able to prepare financial statements in accordance with generally accepted accounting principles.

Management Response: At this time we do not believe the benefit of addressing this control deficiency would exceed the cost.

Condition, Criteria, Cause and Effect: There is a lack of adequate segregation of duties due to the librarian performing several key functions including reconciling bank statements, recording of transactions, financial reporting including budgeting, and payroll.

Recommendation: We acknowledge that the limited number of personnel precludes ideal segregation of duties for the functions listed above. However, we recommend that, whenever possible, responsibilities be reassigned to provide for adequate segregation of duties. One control that could be added to mitigate this deficiency would be to have someone else prepare or at least review bank reconciliations.

Management Response: We feel the cost to fully correct this internal control deficiency would exceed the benefits. However, we will, whenever possible, separate duties.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Argie Cooper Public Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Argie Cooper Public Library's Response to Findings

The Library's responses to the findings identified in our audit are described above. The Library's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results 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.

Winnett Associates, PLLC

December 31, 2013