

OBION COUNTY PUBLIC LIBRARY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2013

OBION COUNTY PUBLIC LIBRARY

June 30, 2013

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OBION COUNTY PUBLIC LIBRARY

June 30, 2013

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Offices in Tennessee & Kentucky

624 East Reelfoot Ave.
Union City, TN 38261

Phone 731.885.3661
Fax 731.885.6909
www.atacpa.net

Independent Auditor's Report

Board of Trustees
Obion County Public Library
Union City, Tennessee

Report on the Financial Statements

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Obion County 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

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 the Obion County Public Library's basic financial statements. The Introductory Section, Schedules of Budgetary Comparisons for the General Fund and Special Revenue Fund and the Schedule of Expenditures of Federal Awards and State Assistance are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedules of Budgetary Comparisons for the General Fund and Special Revenue Fund and the Schedule of Expenditures of Federal Awards and State Assistance are the responsibility of management and were derived from and relate 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 Schedules of Budgetary Comparisons for the General Fund and Special Revenue Fund and the Schedule of Expenditures of Federal Awards and State Assistance are fairly stated in all material respects in relation to the 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 March 5, 2014 on our consideration of the Obion County 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 Obion County Public Library's internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

Union City, Tennessee
March 5, 2014

BASIC FINANCIAL STATEMENTS

OBION COUNTY PUBLIC LIBRARY
STATEMENT OF NET POSITION
June 30, 2013

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 159,427
Restricted investment	5,000
Accrued interest receivable	27
Land	551,934
Other capital assets, net of accumulated depreciation	<u>2,826,017</u>
Total assets	<u>3,542,405</u>
Liabilities	
Accounts payable	5,278
Payroll taxes payable	<u>595</u>
Total liabilities	<u>5,873</u>
Net Position	
Investment in capital assets	3,377,951
Restricted for specific purposes	5,000
Unrestricted	<u>153,581</u>
Total net position	<u>\$ 3,536,532</u>

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

OBION COUNTY PUBLIC LIBRARY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Expenses	
Library operations	<u>\$ 792,023</u>
Program revenues:	
Charges for services	37,475
Operating grants and contributions	506,731
Capital grants and contributions	<u>7,954</u>
Total program revenues	<u>552,160</u>
Net program income (expense)	<u>(239,863)</u>
General revenues:	
Interest income	3,981
Miscellaneous income	<u>437</u>
Total general revenues	<u>4,418</u>
Change in net position	(235,445)
Net position - July 1, 2012	<u>3,771,977</u>
Net position - June 30, 2013	<u><u>\$ 3,536,532</u></u>

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

**OBION COUNTY PUBLIC LIBRARY
GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2013**

	MAJOR		
	General Fund	Special Revenue Fund	Total
Assets			
Cash and cash equivalents	\$ 118,262	\$ 41,165	\$ 159,427
Restricted investment	-	5,000	5,000
Accrued interest receivable	-	27	27
	\$ 118,262	\$ 46,192	\$ 164,454
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 5,278	\$ -	\$ 5,278
Payroll taxes payable	595	-	595
Total liabilities	5,873	-	5,873
Fund Balances			
Restricted for specific purpose	-	5,000	5,000
Assigned	-	41,192	41,192
Unassigned	112,389	-	112,389
Total fund balances	112,389	46,192	158,581
	\$ 118,262	\$ 46,192	\$ 164,454

Fund Balance Reconciliation

Fund balance of governmental funds \$ 158,581

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.

3,377,951

Net position of governmental activities

\$ 3,536,532

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

OBION COUNTY PUBLIC LIBRARY
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
For the Year Ended June 30, 2013

	MAJOR		Total
	General Fund	Special Revenue Fund	
Revenues			
Charges for services	\$ 13,607	\$ 23,868	\$ 37,475
City appropriation	168,911	-	168,911
County appropriation	337,820	-	337,820
Grants	-	2,522	2,522
Interest income	3,847	134	3,981
Miscellaneous income	-	437	437
Total revenues	524,185	26,961	551,146
Expenditures			
Current:			
Salaries, taxes and benefits	398,499	-	398,499
Building occupancy and maintenance	80,874	-	80,874
Library materials	9,120	20,371	29,491
Capital outlay:			
Library books	28,474	5,680	34,154
Other	1,115	14,913	16,028
Total expenditures	518,082	40,964	559,046
Net change in fund balances	6,103	(14,003)	(7,900)
Fund balances - July 1, 2012	106,286	60,195	166,481
Fund balances - June 30, 2013	\$ 112,389	\$ 46,192	\$ 158,581

Reconciliation to Statement of Activities

Net change in fund balances of governmental funds (above) \$ (7,900)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period. (232,977)

Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources. 5,432

Change in net position of governmental activities \$ (235,445)

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

OBION COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

The Library reports the following governmental funds:

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

OBION COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

C. Impact of Recently Issued Accounting Pronouncements

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows and inflows of resources, which are distinct from assets and liabilities, and also renames as net position, rather than net assets, the residual of all other elements presented in a statement of financial position. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011. As of June 30, 2013, the Library had no items that met the definition of deferred outflows or deferred inflows of resources based on the adoption of GASB 63.

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for periods beginning after December 15, 2012. Management is currently evaluating the impact of the adoption of this statement on the Library's financial statements, but has not implemented its effects on items currently reported as deferred assets or liabilities in the financial statements presented herein.

D. Assets, Liabilities and Fund Balance/Net Position

Deposits and Investments

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

Capital Assets

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

Compensated Absences

The Library's obligation for employees' rights to receive compensation for future absences, such as vacation and sick days, was not material as of June 30, 2013, and thus, is not recognized in the accompanying financial statements. The Library permits the accumulation of a maximum of 45 days sick leave for employees; however, unused sick days are not paid upon termination. Accordingly, sick pay is charged to expenditures when taken.

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

June 30, 2013

Fund Balance/Net Position

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

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

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

As of June 30, 2013, the Library had restricted cash of \$5,000 that the donor specified be used to generate income for the purchase of genealogy books only.

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

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Details of the \$3,377,951 difference reported in the reconciliation on the Governmental Funds Balance Sheet were as follows:

Governmental fund capital assets	\$ 6,814,786
Less: accumulated depreciation	<u>(3,436,835)</u>
Net adjustment	<u>\$ 3,377,951</u>

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Details of the \$232,977 difference reported in the reconciliation were as follows:

Capital outlay	\$ 50,182
Depreciation expense	<u>(283,159)</u>
Net adjustment	<u>\$ (232,977)</u>

OBION COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 4 – DETAILED NOTES ON ACCOUNTS

A. Deposits

Custodial Credit Risk – The Library’s policies limit deposits and investments to those instruments allowed by applicable state laws. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the Library’s agent in the Library’s name, or by the Federal Reserve Banks acting as third party agents. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2013, the Library’s bank deposits were fully insured or collateralized.

B. Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 551,934	\$ -	\$ -	\$ 551,934
Capital assets, being depreciated				
Buildings	4,227,003	-	-	4,227,003
Equipment, furniture and fixtures	830,330	-	-	830,330
Park facilities and furniture	377,887	-	-	377,887
Data processing equipment	162,717	16,029	-	178,746
Library books	609,301	39,585	-	648,886
Total	<u>6,207,238</u>	<u>55,614</u>	<u>-</u>	<u>6,262,852</u>
Less accumulated depreciation for:				
Buildings	1,494,003	172,489	-	1,666,492
Equipment, furniture and fixtures	814,725	2,678	-	817,403
Park facilities and furniture	298,565	37,788	-	336,353
Data processing equipment	84,000	17,780	-	101,780
Library books	462,383	52,424	-	514,807
	<u>3,153,676</u>	<u>283,159</u>	<u>-</u>	<u>3,436,835</u>
Net capital assets being depreciated	<u>3,053,562</u>	<u>(227,545)</u>	<u>-</u>	<u>2,826,017</u>
Governmental activities capital assets – net	<u>\$ 3,605,496</u>	<u>\$ (227,545)</u>	<u>\$ -</u>	<u>\$ 3,377,951</u>

OBION COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 5 – OTHER INFORMATION

A. Pension Plan

Plan Description

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

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

Funding Policy

The Obion County Public Library requires employees to contribute 5.0% of earnable compensation. The Library is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2013, was 6.42% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the Obion County Public Library is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2012, the Obion County Public Library's annual pension cost of \$16,244 to TCRS was equal to the Library's required and actual contribution. The required contribution was determined as part of the July 1, 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), and (d) projected 3.5 percent annual increase in the Social Security wage base. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of equities over a ten-year period. The Library's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was 9 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

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

June 30, 2013

Trend Information and Schedule of Funding Progress

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

B. Risk Management

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

SUPPLEMENTARY INFORMATION SECTION

OBION COUNTY PUBLIC LIBRARY
SCHEDULE OF BUDGETARY COMPARISON - GENERAL FUND
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenues				
City appropriation	\$ 168,911	\$ 168,911	\$ 168,911	\$ -
County appropriation	337,820	337,820	337,820	-
Erate revenue	11,919	11,919	13,607	1,688
Interest income	5,000	5,000	3,847	(1,153)
Total revenues	<u>523,650</u>	<u>523,650</u>	<u>524,185</u>	<u>535</u>
Expenditures				
Salary - library director	52,020	52,020	52,290	270
Salary - assistant library director	37,527	37,527	36,050	(1,477)
Salaries - library assistants	156,971	156,971	159,086	2,115
Salaries - library aides	68,589	68,589	60,291	(8,298)
Children's library aide	-	-	681	681
Salaries - custodian	6,159	6,159	6,159	-
Salaries - Verhine Children's Library	4,445	4,445	5,051	606
Payroll taxes	27,047	27,047	25,764	(1,283)
Employee retirement benefits	16,898	16,898	14,151	(2,747)
Employee health insurance	23,544	23,544	23,628	84
Accounting services	923	923	923	-
Audit services	3,950	3,950	3,950	-
Telephone and other communications expense	12,867	12,867	17,939	5,072
Repair and maintenance - buildings	7,000	7,000	7,324	324
Repair and maintenance - equipment	9,058	9,058	9,609	551
Postage	1,500	1,500	1,024	(476)
Travel	1,600	1,600	1,384	(216)
Custodial supplies	3,940	3,940	4,110	170
Data processing supplies	7,000	7,000	4,520	(2,480)
Utilities	40,607	40,607	37,234	(3,373)
Library books	27,242	27,242	28,474	1,232
Office supplies	6,000	6,000	9,091	3,091
Periodicals	4,538	4,538	4,538	-
Audio-visual materials	-	-	153	153
Insurance	4,200	4,200	4,633	433
Miscellaneous	25	25	25	-
Total expenditures	<u>523,650</u>	<u>523,650</u>	<u>518,082</u>	<u>(5,568)</u>
Net change in fund balance	-	-	6,103	6,103
Fund balance - July 1, 2012	<u>106,286</u>	<u>106,286</u>	<u>106,286</u>	<u>-</u>
Fund balance - June 30, 2013	<u>\$ 106,286</u>	<u>\$ 106,286</u>	<u>\$ 112,389</u>	<u>\$ 6,103</u>

See independent auditor's report

OBION COUNTY PUBLIC LIBRARY
SCHEDULE OF BUDGETARY COMPARISON - SPECIAL REVENUE FUND
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenues				
Fines	\$ 11,000	\$ 11,000	\$ 8,850	\$ (2,150)
Lost books	1,400	1,400	716	(684)
Library cards	1,900	1,900	1,800	(100)
Library fees	4,000	4,000	3,091	(909)
Copy machine income	2,000	2,000	1,746	(254)
Copy fees	4,700	4,700	5,304	604
Genealogy fees	125	125	106	(19)
Review Club	300	300	-	(300)
Crafts	-	-	625	625
Meeting room	-	-	1,630	1,630
Grants	2,500	2,500	2,522	22
Interest	300	300	134	(166)
Other	400	400	437	37
Total revenues	<u>28,625</u>	<u>28,625</u>	<u>26,961</u>	<u>(1,664)</u>
Expenditures				
Advertising	2,500	2,500	2,195	(305)
Dues and memberships	2,000	2,000	1,845	(155)
Lease payments	1,625	1,625	1,021	(604)
Printing and stationery	1,000	1,000	324	(676)
Other contract services	1,000	1,000	5,052	4,052
Instructional supplies	1,500	1,500	234	(1,266)
Office supplies	2,000	2,000	3,446	1,446
Audio-visual materials	4,000	4,000	3,677	(323)
Special programs	2,000	2,000	886	(1,114)
Miscellaneous	1,000	1,000	172	(828)
Data processing supplies	5,000	5,000	7,772	2,772
Library books	4,000	4,000	5,680	1,680
Furniture and fixtures	1,000	1,000	8,660	7,660
Total expenditures	<u>28,625</u>	<u>28,625</u>	<u>40,964</u>	<u>12,339</u>
Net change in fund balance	-	-	(14,003)	(14,003)
Fund balance - July 1, 2012	<u>60,195</u>	<u>60,195</u>	<u>60,195</u>	-
Fund balance - June 30, 2013	<u>\$ 60,195</u>	<u>\$ 60,195</u>	<u>\$ 46,192</u>	<u>\$ (14,003)</u>

See independent auditor's report

OBION COUNTY PUBLIC LIBRARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE ASSISTANCE
For the Year Ended June 30, 2013

Federal Grantor/ Pass-through Agency/ Program Name	CFDA Number	Pass-through Agency Grant Number	(Receivable) Unearned Balance 7/1/2012	Receipts	Disbursements	(Receivable) Unearned Balance 6/30/2013
Institute of Museum and Library Services/ Tennessee State Library and Archives/ Library Services and Technology Act Technology Grant	45.310	1272	\$ -	\$ 2,522	\$ 2,522	\$ -
State Grantor/ Program Name						
Tennessee State Library and Archives/ 2012 Rural Laptop Lab Grant	n/a	n/a	\$ 2,078	\$ -	\$ 2,078	\$ -

See independent auditor's report

INTERNAL CONTROL AND COMPLIANCE SECTION

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Offices in Tennessee & Kentucky

624 East Reelfoot Ave.
Union City, TN 38261

Phone 731.885.3661
Fax 731.885.6909
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**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

Board of Trustees
Obion County Public Library
Union City, Tennessee

We have audited, 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 and each major fund of the Obion County Public 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 and have issued our report thereon dated March 5, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Obion County 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 Obion County Public Library's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as Item 13-1, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Obion County Public Library's financial statements are free from 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*.

Obion County Public Library's Response to Findings

Obion County Public Library's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Library's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Alexander Thompson Arnold PLLC

Union City, Tennessee
March 5, 2014

OBION COUNTY PUBLIC LIBRARY
SCHEDULE OF FINDINGS AND RESPONSE
For the Year Ended June 30, 2013

13-1 Purchase Orders Not in Compliance with Disbursements Policy

Condition: During our testing of cash disbursements, we noted various departures from the Library's cash disbursements policy as it relates to purchase orders. Three disbursements did not have purchase orders. Of the purchase orders reviewed, 7 were blank, 2 were not approved, 1 was issued after the purchase date and 1 was issued for an amount less than the amount paid.

Criteria: The Library's cash disbursements policy states that purchase orders should be issued for all disbursements.

Effect: The Library has made expenditures that were not in compliance with their disbursements policy. Failure to follow the prescribed policy increases the likelihood that errors or irregularities may occur and not be prevented or detected in a timely manner.

Recommendation: We recommend that the Library's personnel take steps to insure that all disbursements have properly completed purchase orders.

Response: *Library personnel will take steps to insure that all disbursements have properly completed purchase orders.*