ELMA ROSS PUBLIC LIBRARY

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended

June 30, 2013

ELMA ROSS PUBLIC LIBRARY
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FOR THE YEAR ENDED JUNE 30, 2013

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Haywood County – Elma Ross Public Library
Year Ended June 30, 2013

Members of the Board of Directors:

Katherine Horn, Director
Julia Dalhauser
Amy W. Harris
Brannon Williams
Carla Jacobs
Gem Bell
Allen Sterbinsky

Michael Banks
Attorney At Law
Brownsville, TN 38012

Cowart Reese Sargent, PC
Certified Public Accountants
Brownsville, TN 38012

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Certified Public Accountants, P.C.

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Independent Auditors' Report

January 2, 2014

Board of Directors
Elma Ross Public Library
Brownsville, TN

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Elma Ross Public Library, as of and for the year ended June 30, 2013, 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. Management is also responsible for 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.

Auditors' 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 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 purposes 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 opinion.

Opinion

In our opinion, the financial statements of the governmental activities, each major fund, and the budgetary comparison schedule of the general fund present fairly, in all material respects, the financial position of Elma Ross Public Library as of June 30, 2013, and the results of its operation for the year ended in conformity 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 management's discussion and analysis and schedule of funding as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to 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 basis 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 doe not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Elma Ross Public Library's basic financial statements. The schedule of expenditures of state awards and the Roster of Officials, inclusive, are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of state awards 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 themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material aspects, in relation to the basic financial statements taken as a whole. The Roster of Officials 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 January 2, 2014 on our consideration of the Elma Ross Public Library's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of the 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 Elma Ross Public Library's internal control over financial reporting and compliance.

Cowart Reese Sargent

Cowart Reese Sargent, CPA, P.C.
Brownsville, TN

Elma Ross Public Library
Management's Discussion and Analysis
June 30, 2013

As management of the Elma Ross Public Library, we offer readers of the Elma Ross Public Library's financial statements this narrative overview and analysis of the financial activities of the Elma Ross Public Library for the fiscal year ended June 30, 2013.

Financial Highlights

The assets of the Elma Ross Public Library exceeded its liabilities by $374,777 (net position) at end of the fiscal year. 49.3% percent of this amount may be used to meet the Library's ongoing obligations to citizens and creditors.

The Library's total net position decreased by $26,637. Most of this decrease is due to increase in depreciation expenses.

Books contributed to the Library amounted to $250 by Regional Library and individuals.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Elma Ross Public Library's basic financial statements. The Elma Ross Public Library's basic financial statements comprise three components: (1) government- wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the Elma Ross Public Library. These financial statements are constructed around the concept of a primary government and changes in net position similar to a commercial enterprise financial statements.

The *Library's government-wide* financial statements include the statement of net position and statement of activities which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets held and liabilities owed by the Library. The Library reports all of its assets when it acquires ownership over the assets and reports all of its liabilities when they are incurred.

The difference between the Library's total assets and total liabilities is labeled as net position and this difference is similar to the total owner's equity presented by a commercial enterprise. Although the purpose of the Library is not to accumulate net position, in general, the changes in net position indicates whether the financial position of the Library is improving or deteriorating over time.

The purpose of the statement of activities is to present the revenues and expenses of the Library. The items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the Library. Thus, revenues are reported even when they many not be collected for several months after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

Although the statement of activities looks different from a commercial enterprise's income statement, the financial statements is different only in format, not substance. The bottom line in a commercial enterprise is net income and the Library reports an amount described as change in net position, essentially the same thing.

The focus of the statement of activities is on the net cost of various activities provided by the Library. The statement begins with a column that identifies the cost of each of the Library's major functions. Another column identifies the revenues that are specifically related to the classified governmental functions. The difference between the expenses and revenues related to specific program/ activities computes the net cost or benefits of the programs/activities, which identifies the extent to which each function of the Library draws from general revenues or is self-financing through fees, inter-governmental aid, and other sources of resources.

The Library's government-wide financial statements includes only the primary government which includes the governmental activities. Governmental activities are generally financed through the City of Brownsville and Haywood County and other revenues.

The Library's government-wide financial statements are presented on pages 9 through 10 .

Fund Financial Statements

Fund financial statements focus are on specific activities rather than the Library as a whole.

Governmental fund financial statements consist of a balance sheet and statement of revenues, expenditures, and change in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted to cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as equipment. Fund liabilities include amounts that are to be paid within a very short period after the end of fiscal year. The difference between a fund's total assets and total liabilities is labeled as the fund balance, and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected or paid cash respectively, during the current period or very shortly after the end of the year.

Balances and activities accounted for in governmental funds are reported in the government-wide financial statements. Therefore, different accounting bases are used to prepare fund financial statements and government-wide financial statements. There are often significant differences between the totals presented in these financial statements. For this reason, there is an analysis at the bottom of the balance sheet that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis following the statement of revenues, expenditures, and changes in fund balances that reconciles the total change in fund balances for all governmental funds to the change in net position as reported in the governmental activities column in the statement of activities.

The Library's governmental fund financial statements are presented on pages 11 through 13.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential for a full understanding of data in the government-wide and fund financial statements. Notes are on pages 15 through 19 of this report.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Elma Ross Public Library, assets exceeded liabilities by $374,777 at the close of the most recent fiscal year.

Net Position - Primary Government
Governmental Activities

	2013	2012	Variances	Variances %
Current and Other Assets	$ 190,700	$ 167,564	$ 23,136	113.8%
Capital Assets	190,696	237,978	(47,282)	80.1%
Total Assets	$ 381,396	$ 405,542	$ (24,146)	94.0%
Other Liabilities	6,619	4,128	2,491	160.3%
Total Liabilities	$ 6,619	$ 4,128	$ 2,491	160.3%

Net Position:				
Invested in Capital Assets, net of related debt	190,696	237,978	(47,282)	80.1%
Unrestricted	184,081	163,436	20,645	112.6%
Total Net Position	$ 374,777	$ 401,414	$ (26,637)	93.4%

The Elma Ross Public Library 's capital assets reflect 50.8% of net position. The Elma Ross Public Library uses capital assets to provide services to citizens; consequently these assets are not available for future spending.

The remaining balance of unrestricted net position may be used to meet the Library's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Elma Ross Public Library is able to report a positive balance in net position. The same is true for the prior fiscal year.

Governmental Activities

Governmental activities decreased the Library's net position by $26,637. Key elements of this decrease are as follows:

Changes in Net Position

	Governmental		Variance	Variance %
	2013	2012		
Revenues:				
Charges for Services	$ 6,046	$ 4,123	$ 1,923	146.6%
City and County	145,676	141,946	3,730	102.6%
Contributions and Operating Grants	2,115	1,900	215	111.3%
Cpital Contributions	250	23,702	(23,452)	1.1%
General Revenues:				
Reimbursement	2,483	2,403	80	103.3%
Interest	419	447	(28)	93.7%
Rent	1,600	1,690	(90)	94.7%
Miscellaneous	109	2,072	(1,963)	5.3%
Total Revenues	$ 158,698	$ 178,283	$ (19,585)	89.0%
Expenses:				
General Government	185,335	230,858	(45,523)	80.3%
Total Expenses	$ 185,335	$ 230,858	$ (45,523)	80.3%
Decrease in Net Position	(26,637)	(52,575)	25,938	50.7%
Net Position - Beginning	401,414	453,989	(52,575)	88.4%
Net Position - Ending	$ 374,777	$ 401,414	$ (26,637)	93.4%

Financial Analysis of the Government's Funds

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

Governmental funds- The focus of the Elma Ross Public Library's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Elma Ross Public Library's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Elma Ross Public Library
Management's Discussion and Analysis
June 30, 2013

Asset, Liabilities, and Fund Balances
Total Governmental Funds

	2013	2012	Variance	Variance %
Total Assets	$ 190,700	$ 167,564	$ 23,136	113.807%
Total Liability	$ 6,619	$ 4,128	$ 2,491	160.344%
Fund Balance:				
Unrestricted	$ 184,081	$ 163,436	$ 20,645	112.632%
Total Fund Balance	$ 184,081	$ 163,436	$ 20,645	112.632%
Total Liabilities and Fund Balance	$ 190,700	$ 167,564	$ 23,136	113.807%

As of the end of the current fiscal year, the Elma Ross Public Library's governmental funds reported fund balance of $184,081, an increase of $20,645 in comparison with the prior year. All of this amount constitutes unreserved fund balance, which is available for spending at the library's discretion.
Key factors in the increase are as follows:

Changes in Fund Balances of Governmental Funds
For the Year Ended June 30, 2013

	2013	2012	Variances	Variances %
Revenues				
City of Brownsville	$ 70,973	$ 70,973	$ -	100.00%
Haywood County	74,703	70,973	3,730	105.26%
Grants	2,115	1,900	215	111.32%
Gifts and Memorials	-	2,403	(2,403)	0.00%
Reimbursement	2,483	-	2,483	0.00%
Fines, Copies and Other Sources	6,046	4,123	1,923	146.64%
Rent	1,600	1,690	(90)	94.67%
Interest	419	447	(28)	93.74%
Miscellaneous	109	2,072	(1,963)	5.26%
Total Revenues	$ 158,448	$ 154,581	$ 3,867	102.50%
Expenditures				
Administrative Salaries	$ 54,039	$ 63,076	$ (9,037)	85.67%
Maintenance Staff Salaries	11,730	15,480	(3,750)	75.78%
Payroll Taxes	6,797	7,445	(648)	91.30%
Workers Compensation	534	707	(173)	75.53%
Pension Expense	4,506	4,691	(185)	96.06%
Computer Expense	10,967	12,195	(1,228)	89.93%
Capital Outlay - Books	6,951	6,595	356	105.40%
Equipment	1,843	1,365	478	135.01%
Insurance	7,597	8,315	(718)	91.37%
Professional Fees	2,500	1,730	770	144.51%
Genealogy	299	334	(35)	89.52%
Transfer	-	1,900	(1,900)	0.00%
Audiovisuals	818	933	(115)	87.67%
Continuing Education	2,001	2,097	(96)	95.42%
Yard Maintenance	2,950	-	2,950	0.00%
Telephone	4,153	3,799	354	109.32%
Utilities	11,911	11,958	(47)	99.61%
Maintenance & Repairs Bldg	454	1,121	(667)	40.48%
Supplies	2,288	2,230	58	102.62%
Miscellaneous	5,465	6,826	(1,361)	80.06%
Total Expednditures	137,803	152,797	(14,994)	90.19%
Net Change in Fund Balance	20,645	1,784	18,861	1157.23%
Fund Balance - Beginning of Year	163,436	161,652	1,784	101.10%
Fund Balance - End of Year	$ 184,081	$ 163,436	$ 20,645	112.63%

The fund balance of the Elma Ross Public Library increased by $20,645 during the current fiscal year. The key factors in the increase of fund balance are:

- Administrative and Maintenance salaries decreased by $12,787 during the currenct fiscal year.

General Fund Budgetary Highlights

There was no difference between the original and the final budget. We were told in a meeting by the auditors that the budget should be set for all revenues and expenditures and amendments should be made, if necessary, if expenditures exceed appropriations.

Capital Assets

The Elma Ross Public Library's investment in capital assets for the governmental activities as of June 30, 2013 is $190,696 (net of depreciation). This investment in capital assets includes equipment, books and periodicals.

Major capital assets events during the current fiscal year included the following:
- Books contribution worth $250 by Regional Library and individuals, and books purchased were $6,950.
- Computers and peripherals purchased were $10,394.
- There were no books deleted
- There were no computer and peripherals deleted.

Additional information on the Elma Ross Public Library's capital assets can be found in note III.A.2. on pages 17.

Library Capital Assets (net of Depreciation)

	2013	2012
Equipment	$ 28,634	$ 26,395
Books	162,062	211,583
Total Capital Assets	$ 190,696	$ 237,978

Request for Information

This financial report is designed to provide a general overview of the Elma Ross Public Library's finances for all those with an interest in the Library's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to:
Elma Ross Public Library, 1011 East Main Street, Brownsville, TN, 38012.

THE ELMA ROSS PUBLIC LIBRARY

STATEMENT OF NET POSITION

June 30, 2013

	GOVERNMENTAL ACTIVITIES	TOTAL
ASSETS		
Current Assets		
Cash	$ 161,603	$ 161,603
Certificate of Deposits	29,097	29,097
Other Assets	-	-
Total Current Assets	190,700	190,700
Noncurrent Assets		
Property and Equipment	106,868	106,868
Books and Periodicals	970,826	970,826
Less Accumulated Depreciation	(886,998)	(886,998)
Total Noncurrent Assets	190,696	190,696
Total Assets	381,396	381,396
LIABILITIES		
Current Liabilities		
Accured Payroll Taxes	6,619	6,619
Total Liabilities	6,619	6,619
NET POSITION		
Invested in Capital Assets	190,696	190,696
Unrestricted Net Position	184,081	184,081
Total Net Position	$ 374,777	$ 374,777
Total Liabilities and Net Position	$ 381,396	$ 381,396

Notes to the financial statements are an integral part of this statement.

THE ELMA ROSS PUBLIC LIBRARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

		Program Revenues				Net (Expense) Revenue and Changes in Net Position	
						Primary Government	
Functions and Programs	**Expenses**	**Charges for Services**	**City & County**	**Operating Contributions and Grants**	**Capital Contributions and Grants**	**Governmental Activites**	**Total**
Primary Government:							
Governmental Activities:							
General Government	$ 185,335	$ 6,046	$ 145,676	$ 2,115	$ 250	$ (31,248)	$ (31,248)
Total Government Activities	185,335	6,046	145,676	2,115	250	(31,248)	(31,248)
Total Primary Government	$ 185,335	$ 6,046	$ 145,676	$ 2,115	$ 250	(31,248)	(31,248)
			General Revenues:				
			Reimbursement			2,483	2,483
			Interest			419	419
			Rent			1,600	1,600
			Miscellaneous			109	109
			Total General Revenues			4,611	4,611
			Change in Net Position			(26,637)	(26,637)
			Net Position - Beginning			401,414	401,414
			Net Position - Ending			$ 374,777	$ 374,777

Notes to the financial statements are an integral part of this statement.

THE ELMA ROSS PUBLIC LIBRARY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General	Total Governmental Funds
ASSETS		
Cash	$ 161,603	$ 161,603
Certificate of Deposits	29,097	29,097
Other Assets	-	-
Total Assets	190,700	190,700
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accured Payroll Taxes	6,619	6,619
Total Liabilities	6,619	6,619
Fund Balances:		
Unassigned	184,081	184,081
Total Fund Balances	184,081	184,081
Total Liabilities and Fund Balances	$ 190,700	

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 governmental funds:

Governmental capital assets	1,077,694	
Less Accumulated Depreciation	(886,998)	190,696
Net Position of Governmental Activities		$ 374,777

Notes to financial statements are an integral part of this statement.

THE ELMA ROSS PUBLIC LIBRARY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2013

	General	Total Governmental Funds
Revenues:		
City of Brownsville	$ 70,973	$ 70,973
Haywood County	74,703	74,703
Grants	2,115	2,115
Reimbursement	2,483	2,483
Fines, Copies and Other Sources	6,046	6,046
Rent	1,600	1,600
Interest	419	419
Miscellaneous	109	109
Total Revenues	158,448	158,448
Expenditures:		
Administrative Salaries	54,039	54,039
Maintenance Staff Salaries	11,730	11,730
Payroll Taxes	6,797	6,797
Workers Compensation	534	534
Pension Expense	4,506	4,506
Computer Expense	10,967	10,967
Capital Outlay - Books	6,951	6,951
Insurance	7,597	7,597
Professional Fees	2,500	2,500
Genealogy	299	299
Equipment	1,843	1,843
Audiovisuals	818	818
Continuing Education	2,001	2,001
Yard Maintenance	2,950	2,950
Telephone	4,153	4,153
Utilities	11,911	11,911
Maintenance & Repairs Bldg	454	454
Supplies	2,288	2,288
Miscellaneous	5,465	5,465
Total Expenditures	137,803	137,803
Net Change in Fund Balance	20,645	20,645
Fund Balance - Beginning of Year	163,436	163,436
Fund Balance - End of Year	$ 184,081	$ 184,081

Notes to financial statements are an integral part of this statement.

THE ELMA ROSS PUBLIC LIBRARY

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

FOR THE YEAR ENDED JUNE 30, 2013

Net change in total fund balances per fund financial statements		$	20,645
Amounts reported for governmental activities in the statement of activities are different because:			
Revenues that are not available to pay current obligations are not reported in this fund financial statement, but they are presented in the statement of net position.			
Contribution of Books			250
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives.			
Expenditures for capital assets	17,345		
Less current year depreciation	(64,877)		(47,532)
Change in Net Position of Governmental Activities		$	(26,637)

Notes to financial statements are an integral part of this statement.

THE ELMA ROSS PUBLIC LIBRARY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
City of Brownsville	$ 74,703	$ 74,703	$ 70,973	$ (3,730)
Haywood County	74,703	74,703	74,703	-
Grants	-	-	2,115	2,115
Fines, Copies, and Other Sources	-	-	6,046	6,046
Rent	-	-	1,600	1,600
Interest	-	-	419	419
Miscellaneous	-	-	2,592	2,592
Total Revenues	149,406	149,406	158,448	9,042
Expenditures:				
Administrative Salaries	48,294	48,294	35,695	12,599
Maintenance Staff Salaries	11,298	11,298	11,730	(432)
Circulation Salaries	20,333	20,333	16,454	3,879
Payroll Taxes	5,277	5,277	6,581	(1,304)
Insurance - Employees	8,560	8,560	4,277	4,283
Pension Expense	6,017	6,017	4,506	1,511
Longevity	1,890	1,890	1,890	-
Workers Compensation	650	650	534	116
State Unemployment Taxes	303	303	216	87
Supplies	2,500	2,500	2,288	212
Computer Expense	1,600	1,600	10,967	(9,367)
Capital Outlay - Books	7,600	7,600	6,951	649
Capital Outlay - Equipment	-	-	-	-
Professional Fees	1,730	1,730	2,500	(770)
Geneology	600	600	299	301
Audiovisuals	1,500	1,500	818	682
Continuing Education	2,000	2,000	2,001	(1)
Equipment	-	-	1,843	(1,843)
Telephone	3,780	3,780	4,153	(373)
Yard Maintenance	3,904	3,904	2,950	954
Utilities	14,350	14,350	11,911	2,439
Maintenance Bldg	1,500	1,500	175	1,325
Maintenance & Repairs	1,200	1,200	279	921
Pest Control	620	620	160	460
Insurance - Liability	3,200	3,200	3,320	(120)
Miscellaneous	700	700	5,305	(4,605)
Total Expenditures	149,406	149,406	137,803	11,603
Net Change in Fund Balance	-	-	20,645	20,645
Fund Balance - Beginning	163,436	163,436	163,436	-
Fund Balance - Ending	$ 163,436	$ 163,436	$ 184,081	$ (20,645)

Notes to financial statements are an integral part of this statement.

ELMA ROSS PUBLC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1.A.1 INTRODUCTION

The Elma Ross Public Library is a joint venture of Haywood County and the City of Brownsville. Members of Board of Directors of the Library are appointed by the County Commission and the City Council. The library provides services to Brownsville and Haywood County areas.

The accounting and reporting framework and the more significant accounting principles and practices of the Elma Ross Public Library are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations, including required disclosures, of the Library's financial activities for the fiscal year ended June 30, 2013.

I.B.I GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Library as a whole. The primary government is presented separately within the financial statements with the focus on the primary government.

The statement of activities reports the revenues of a given function offset by program expenses directly connected with the functional program. A function is an assembly of similar activities that capture expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees from fines, copies and other charges to users of the Library's services; and (2) operating grants which finance annual operating activities.

Fund Financial Statements

Fund financial statements are provided for the governmental fund which is considered a major fund. There are no non-major funds that should be reported in a separate column.

I.B.2 MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMETS

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

Government fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Library's revenues are recognized when they become measurable and available. Expenditures are generally recognized when the related liability is incurred. The Library does not use the encumbrance method to accrue liabilities.

I.B.3. FUND TYPES AND MAJOR FUNDS

Government Funds

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

ELMA ROSS PUBLC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

I.C.1. CASH AND CASH EQUIVALENTS

The Library reports and considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Exceptions include certificates of deposits with a maturity of twelve months. Cash equivalents are stated at cost plus any accrued interest, which approximates market value. The maximum amount placed in any one financial institution is limited to reduce exposure risk. The Library does not have a deposit policy for custodial credit risk.

State statures authorize the Library to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasury Investment Pool.
Investment of the Library is reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

I.C.2. PREPAIDS

Prepaid assets are payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Prepaid assets are reported in government-wide and fund financial statements.

I.C.3. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires the management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Therefore, actual results could differ from those estimates.

I.C.4. CAPITAL ASSETS AND DEPRECIATION

The Library reports property, plant, and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Library generally capitalizes assets with purchase cost of $1,000 or more. The cost of normal maintenance and repairs that do not add value to the asset or materially extend useful live are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recognized in non-operating sections. Estimated useful live for each type of assets are as follows:

Capital Asset Categories	Useful Lives – Per Years
Building	30 - 40
Improvements	30 - 40
Furniture, Machinery, and Equipment	5 - 10
Books and Periodicals	7 - 10

I.C.5. FUND EQUITY

The Library implemented GASB Statement No. 54. This statement provides more clearly fund balance categories to make the nature and extent of the constraints placed on a government's

fund balance more transparent. The following classifications describe the relative strength of the spending constraints:

1.) Non-spendable fund balance – amounts that are not in spendable form (such as inventory and invested in capital asset net of accumulated depreciation) or are required to be maintained intact.
2.) Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher level of government), through constitutional provisions, or by spending legislation.
3.) Committed fund balance – amounts constrained to specific purposes by the Library itself, using its highest level of decision making authority, the Board of Directors. To be reported as committed, amounts cannot be used for any other purpose unless the Board takes the same highest level of action to remove or change the constraint.
4.) Assigned fund balance – amount the Library intends to use for a specific purpose. Intent can be expressed by Board of Directors or by an official or body to which the Board delegates the authority.
5.) Unassigned fund balance – amounts that are available for any purpose.

Assigned fund balance is established by the Board through adoption or amendment of the budget as intended for a specific purpose (such as the purchase of capital assets or other purposes).

I.C.6 RESTRICTED ASSETS

The Library elects to use restricted assets before unrestricted assets when the situation arises where either may be used.

II.A. BUDGETARY INFORMATION

II.A.I. BUDGETARY POLICY AND PRACTICE

The Library Director submits an annual budget to the Board of Directors. Also, the City Council and the County Commission review and approve the allocation of resources. Once approved by the Board of Directors, the City Council and the County Commission, the legally adopted budget can be amended when unexpected modifications are required in estimated revenues and expenditures. Expenditures are required to be within budgetary limits at the major category level of control.

II.B.2 BASIS OF BUDGETING

The budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by class such as: salaries, compensation related services and supplies, computer and equipment supplies, core material, and miscellaneous. Expenditures may not exceed appropriations.

The budget for the operating funds is prepared on the cash and expenditure basis. Revenues are budgeted in the year receipt is expected to be received, and expenditures are budgeted in the year that the applicable purchase orders are expected to be issued.

III. DETAILED NOTES ON FUNDS

III.A. ASSETS

III.A.I. DEPOSITS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event a bank failure occurs, the deposits may not be returned to the depositor. The Library does not have a deposit

policy for custodial credit risk. As of June 30, 2013, the Library's cash and cash equivalents of $190,700 is insured by FDIC.

III.A.2. CAPITAL ASSETS

Changes in Capital Assets – The following table provides a summary of changes is as follows:

Capital Assets Depreciated

Primary Government	Equipment	Books	Total
Government Activities			
Balance June 30, 2012	$ 96,474	$ 963,626	$ 1,060,100
Increases - Purchased	10,394	6,950	17,344
Increases - Contributed	-	250	250
Decreases	-	-	-
Balance June 30, 2013	106,868	970,826	1,077,694
Accumulated Depreciation			
Balance June 30, 2012	69,228	752,894	822,122
Increases	8,154	56,722	64,876
Decreases	-	-	-
Balance June 30, 2013	77,382	809,616	886,998
Governmental Activities			
Capital Assets - Net	$ 29,486	$ 161,210	$ 190,696

The purchased and contributed books by Regional Library and individuals are capitalized.

III.B.1. RISK MANAGEMENT – CLAIMS AND ADJUSTMENTS

The Library manages its financing risk through the purchase of insurance. The exposure to loss is limited to the contents of the Library and any workman's compensation claims. In the past three years, there have been no insurance settlements nor claims filed by the Library.

III.B.2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Prior to May 15 of each year, the Library Director formally submits to the Board of Directors, City Council and County Commission a proposed operating budget for the fiscal year commencing the following July 1. Public hearings are conducted by the Board of Directors to obtain citizens comments on the budget. Prior to June 30, the budget is legally enacted through passage of an ordinance.

Budgeted amounts shown are those originally adopted, as well as the final budgets which reflect amendments by the Board of Directors.

Total expenditures may not exceed the total amount appropriated in the budget ordinance. Revisions that alter the total appropriations for any fund must be approved through the passage of an ordinance by the Board of Directors. All annual appropriations lapse at year end.

ELMA ROSS PUBLC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

IV.A. OTHER INOFRMATION

IV.A.1. LITITGATION

As of June 30, 2013, the Library has no pending litigations.

IV.A.2. CONTINGENT LIABILITIES AND LOSSES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state awarding governments. Any disallowed claims, including amounts already collected, may constitute a liability of the Library. The amounts, if any, of expenditure which may be disallowed by the grantor cannot be determined at this time although the Library's director expects such amounts, if any, to be immaterial.

IV.A.3. SUBSEQUENT EVENTS

Subsequent events are those events or transactions that occur subsequent to the financial statement. Subsequent events have been evaluated through January 2, 2014. There are no significant events notes.

ELMA ROSS PUBLIC LIBRARY

SCHEDULE OF EXPENDITURES OF STATE AWARDS

June 30, 2013

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	State Contract Number	Beginning Balance	Receipts	Expenditures	Ending Balance
Tennessee State Library and Archives Tech Grant	45.310	30504-00812-26		2,115	2,115	-
			$ -	$ 2,115	$ 2,115	$ -

Notes to financial statements are an integral part of this statement.

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

To the Board of Directors of
Elma Ross Public Library

We have audited, 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 accompanying financial statements of the governmental activities and each major fund of the Elma Ross Public Library, as of and for the year ended June 30, 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 January 2, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Elma Ross Public Library's internal control over financial reporting to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for purpose of expressing an opinion on the effectiveness of the Elma Ross Public Library's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Elma Ross Public Library's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of beneficiaries, 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in the internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Elma Ross Public Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Cowart Reese Sargent, CPAs, PC
Brownsville, Tennessee
January 2, 2014

ELMA ROSS PUBLIC LIBRARY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the accompanying financial statements of Elma Ross Public Library.

2. No instance of material weaknesses or significant deficiencies were disclosed during the audit of financial statements.

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